A/53/5/Add.7

United Nations

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended 31 December 1997 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-third Session
Supplement No. 5G (A/53/5/Add.7)

General Assembly
Official Records
Fifty-third Session
Supplement No. 5G (A/53/5/Add.7)

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended 31 December 1997 and

Report of the Board of Auditors

United Nations • New York, 1998

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0251-8252

[Original: English]
[29 July 1998]

Contents

Chapter		*Page*
	Abbreviations	iv
	Letters of transmittal	v
I.	Financial report for the biennium ended 31 December 1997	1
II.	Report of the Board of Auditors	4
	Summary	4
	A. Introduction	5
	B. Financial issues	7
	C. Management issues	10
	D. Acknowledgement	23
	Annex. Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report for the period ended 31 December 1995	24
III.	Audit opinion	31
IV.	Certification of the financial statements	32
V.	Financial statements for the biennium ended 31 December 1997	33
	Statement I Income and expenditure for the biennium ended 31 December 1997	34
	Statement II Assets, liabilities, liabilities and reserves and fund balances at 31 December 1997	35
	Statement III Cash flow for the biennium ended 31 December 1997	36
	Statement IV Movement in General Fund resources balances for the biennium ended 31 December 1997	37
	Schedule 1 Status of voluntary contributions pledged at 31 December 1997	38
	Schedule 2 General Fund: miscellaneous income and expenditure for the biennium ended 31 December 1997	41
	Schedule 3 General Fund: programme expenditure by executing agencies for the biennium ended 31 December 1997	42
	Schedule 4 General Fund: unspent allocations of project costs at 31 December 1997	44
	Schedule 4.1 General Fund: unspent allocations for technical support services	45
	Schedule 5 General Fund: administrative and programme support services budget appropriations and expenditure for the biennium ended 31 December 1997	46
	Schedule 6 Trust funds: statement of account for the biennium ended 31 December 1997	47
	Schedule 7 Investments at 31 December 1997	51
	Notes to the financial statements	52

Abbreviations

AGFUND	Arab Gulf Fund for United Nations Development Organizations
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
IBRD	International Bank for Reconstruction and Development
ILO	International Labour Organization
IPPF	International Planned Parenthood Federation
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WHO	World Health Organization

29 April 1998

Letters of transmittal

Sir,

Pursuant to UNFPA financial rule 116.2 (b), I have the honour to submit the financial statements of the United Nations Population Fund for the biennium ended 31 December 1997, which I hereby approve.

Copies of these statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Hirofumi **Ando**
For Nafis **Sadik**
Executive Director of the
United Nations Population Fund

The Chairman of the Board of Auditors
United Nations
New York

15 July 1998

Sir,

I have the honour to transmit to you the financial statements of the United Nations Population Fund for the biennium 1996–1997 ended 31 December 1997, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor General
of India and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 1997

1. The Executive Director of the United Nations Population Fund (UNFPA) has the honour to submit herewith the financial report of the Fund for the biennium ended 31 December 1997.

2. UNFPA is submitting its accounts for 1996–1997 in conformity with the changes in financial procedures of UNFPA approved by the General Assembly in paragraph 6 of its resolution 45/235 of 21 December 1990. The accounts consist of four statements supported by eight schedules and accompanied by notes that are an integral part of the financial statements, and also cover the UNFPA trust funds established for population activities by the Executive Board of the United Nations Development Programme (UNDP)/UNFPA or by the Executive Director.

3. The submission of the biennial accounts is made in conformity with regulation 16.1 of the Financial Regulations of UNFPA approved by the Governing Council at its thirty-seventh session in decision 90/36, paragraph 7.

Executing agency accounts

4. In accordance with UNFPA financial regulation 17.1 (b), the UNFPA financial statements incorporate the data obtained from the biennial accounts of the executing agencies with regard to the status of funds allocated to them for the execution of UNFPA projects during the biennium 1996–1997.

5. In accordance with recommendations by the United Nations Board of Auditors, UNFPA has agreed to accept a letter of reliance from the organization's auditors in lieu of separately audited statements of UNFPA funds administered by United Nations agencies.

6. The United Nations Board of Auditors are the external auditors of UNFPA, as well as the auditors of the United Nations regional economic commissions and other United Nations organizations and programmes that execute projects funded by UNFPA. These are as follows:

United Nations
Economic Commission for Africa (ECA)
Economic Commission for Europe (ECE)
Economic Commission for Latin America and the Caribbean (ECLAC)
Economic and Social Commission for Asia and the Pacific (ESCAP)
Economic and Social Commission for Western Asia (ESCWA)
United Nations Children's Fund (UNICEF)
United Nations Office for Project Services (UNOPS)
United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

The Board has indicated that in respect of the United Nations organizations and programmes listed above, it will not issue a separate audit opinion on the programme expenditures and programme support costs funded by UNFPA.

7. Should any changes be reported in the audited accounts of the United Nations organizations and programmes executing projects funded by UNFPA, UNFPA will report on the changes to the General Assembly and to the UNDP/UNFPA Executive Board at subsequent sessions. The Executive Director will submit to a subsequent session of the

Executive Board copies of the audited statements and audit reports, if any, of the United Nations executing agencies and copies of any relevant resolutions adopted by their governing bodies, as required under UNFPA financial regulation 17.1 (b).

Financial status of the Fund

8. As shown in statement IV, at 1 January 1996, the balance of General Fund resources and reserves was $91.7 million. During 1996–1997, UNFPA received income of $598.4 million, which includes cost-sharing income of $0.9 million, and had expenditures of $603.9 million, which resulted in an excess of expenditure over income of $5.5 million, as shown in statement I.

9. Statement IV shows that at 31 December 1997, the balance of General Fund resources and reserves was $79.5 million after transfers to trust funds of $6.7 million.

Programme expenditure and administrative and programme support services expenditure

10. At its annual session held in New York in June 1995, the Executive Board gave the Executive Director programme expenditure authority of $263 million for 1996 (decision 95/16, para. 2). The Executive Board, at its annual session in Geneva in June 1996, gave the Executive Director a programme expenditure authority of $257 million for 1997 (decision 96/26, para. 2). Thus, the programme expenditure authority for the biennium 1996–1997 totalled $520 million. However, as shown in schedule 4, total year-end allocations to projects for 1996–1997 were $538.4 million, of which $109.5 million represented unspent allocations brought forward from 1995. The unspent allocations at 31 December 1997 amounted to $107.6 million and for future years, $198.7 million. In addition, as shown in schedule 5, net appropriations for the 1996–1997 biennial support budget totalled $126.8 million, as approved by the Executive Board at the third regular session in 1995 (decision 95/35). The unencumbered balance at 31 December 1997 was $15.8 million.

11. The breakdown of 1996–1997 expenditure is shown in statement I. It comprised $492.8 million for programme expenditure, including technical support services, administrative and operational services and UNFPA support costs, and $111.1 million for the biennial support budget (administrative and programme support services), after credits of $10.8 million earned for programme support services were taken into account. The administrative and programme support services expenditure included $57.3 million relating to field programme support (see schedule 6).

12. In 1996–1997 the ratio of project expenditures to year-end project allocations was 80.0 per cent, compared with 79.8 per cent for the previous biennium. A summary breakdown of this expenditure is as follows (in millions of United States dollars):

Executing agencies	*Amount*	*Percentage of total*
United Nations executing agencies	49.7	11.5
Governments	120.9	28.1
UNFPA[a]	195.4	45.3
Non-governmental organizations	64.9	15.1
Total	**430.9**	**100.0**

[a] UNFPA-executed projects include procurement assistance by the UNFPA headquarters Procurement Unit in respect of government projects amounting to $72.6 million.

In 1996–1997, the ratio of technical support services expenditure to approved budget was 92.0 per cent. The administrative and programme support services expenditure against the 1996–1997 appropriation was 87.6 per cent.

Status of operational reserve

13. The operational reserve was established by the Governing Council in January 1973 at the $20 million level to guarantee the financial viability and integrity of the UNFPA programme. At its thirty-eighth session, in decision 91/36, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of general resources income for each year of the UNFPA work plan and that it would review the level of the reserve every other year. At 31 December 1997, the operational reserve amounted to $63 million. The level of the operational reserve will be reviewed in 1998.

Liquidity position

14. At 31 December 1997, UNFPA had bank balances in convertible currencies and time-deposit investments amounting to $151.6 million, which included $4 million of time-deposit investments of the reserve for field accommodation, $63 million of time-deposit investments of the operational reserve and $54.7 million belonging to UNFPA trust funds (see statement II and schedule 7). The investments reported in statement II and in schedule 7 were recorded at the United Nations operational rate of exchange in effect on 31 December 1997.

Trust funds

15. Schedule 6 shows the statement of account for the biennium 1996–1997 of the trust funds established by the Executive Director for multilaterally and bilaterally funded programmes, procurement services and other special population activities. The unexpended balance of the trust funds at 1 January 1996 was $23.7 million. Contributions received from Governments and other sources during 1996–1997 totalled $75.7 million. In addition, interest and miscellaneous income amounted to $9.7 million. The total amount available for programming in 1996–1997 was $109.1 million. Total programme expenditure, including support costs, was $61.2 million, leaving an unexpended balance of $47.9 million as the opening balance for 1998.

Chapter II

Report of the Board of Auditors

Summary

The Board of Auditors has audited the operations of the United Nations Population Fund (UNFPA). The Board also validated the financial statements of UNFPA for the biennium ended 31 December 1997, and has carried out management audits of UNFPA management of cash, property and human resources.

The Board's main findings are:

(a) Audit reports had not been received from Governments and non-governmental organizations in respect of programme expenditure totalling $83.1 million. This expenditure has been included in the UNFPA financial statements but because of the absence of audit reports there was insufficient evidence to allow the Board to form an audit opinion on it. The Board has therefore restricted the scope of its audit opinion to exclude this expenditure;

(b) UNFPA did not disclose in its financial statements the value of contributions-in-kind, contrary to the requirements of the United Nations System Accounting Standards;

(c) At the end of 1997, Governments and non-governmental organizations held advances totalling $18.1 million in excess of the permitted one quarter's expenditure;

(d) UNFPA had no premises performance indicators, particularly on costs and occupation densities, that would enable it to analyse trends and make comparisons with other organizations;

(e) Only 21 Governments supplied premises free to UNFPA, which does not have host country agreements requiring Governments to provide free accommodation;

(f) While the total number of field office staff had increased substantially, the total number of headquarters staff had remained relatively static. Accordingly, the ratio of headquarters to field staff had changed from 1:2.3 in 1992–1993 to 1:3.0 in 1998–1999.

Key recommendations made in the report are that UNFPA:

(a) Apply strictly the Finance Manual provision that advances should not be made while disbursement reports are outstanding and any advances allowed should be limited to no more than one quarter's estimated expenditure;

(b) Negotiate with Governments either to provide free premises or to make a contribution towards accommodation costs;

(c) Undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices to ensure that there is an appropriate balance between decentralization and control, and that sufficient support is available to field offices.

A list of the Board's main recommendations is included in paragraph 9 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Population Fund (UNFPA) for the period from 1 January 1996 to 31 December 1997 in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article XVII of the Financial Regulations of the Fund. The audit has been conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1996 to 31 December 1997 had been incurred for the purposes approved by the governing bodies; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFPA presented fairly the financial position at 31 December 1997. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements. The examinations were conducted at UNFPA headquarters in New York and at field offices in Ecuador, Indonesia, the Philippines, Peru, Uganda and the United Republic of Tanzania.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNFPA. In 1996–1997, the Board examined the Fund's management of cash, property, and human resources.

4. The Board continued its practice of reporting the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views, where appropriate, have been reflected in the present report.

6. The Board's main recommendations are reported in paragraph 9, and the detailed findings are in paragraphs 10 to 100.

1. Previous recommendations not fully implemented

7. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has highlighted separately below those recommendations that were made in the Board's report relating to the biennium 1992–1993 and earlier and have not been fully implemented by the Administration:

(a) In its report on the biennium 1990–1991, the Board of Auditors recommended that the Fund's Policies and Procedures Manual should be updated without further delay. The Board has commented on this weakness several times since 1985, but progress has remained slow. A task force created in October 1996 issued a major portion of the Manual in November 1997; however, it still remains only 80 per cent complete. UNFPA informed

the Board that the reason for the delay was that the updating of the Manual coincided with a major revision of the entire programming process at UNFPA;

(b) In its report on the biennium 1992–1993, the Board of Auditors recommended that all procurement requests be channelled through the Procurement Unit. In 1996–1997, the Board found that the Information and External Relations Division of UNFPA approached consultancy firms directly rather than through the Procurement Unit. In one case, where only one consultancy firm had formally submitted a bid to the Division, the Contracts Review Committee gave limited approval to an initial stage, costing $24,900, and stated that further stages, estimated at a further $65,000, would require competitive bidding and compliance with proper procedures. In another case, the Division had agreed to pay one company $33,260 to produce a publication. The company had been the highest of three bidders for the contract, and the lowest bid was $28,800. The Contracts Review Committee approved the contract on an *ex post facto* basis. The Board is concerned at these failures to comply with the Board's recommendation that such procurement actions should be undertaken by the Procurement Unit. UNFPA informed the Board that the Division had been reminded of the need to comply fully with procurement procedures.

8. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium 1994–1995. Details of the action taken and the comments of the Board are set out in the annex to the present report.

2. Main recommendations

9. The Board recommends that UNFPA:

(a) Show the value of contributions-in-kind in a note to the financial statements (para. 17);

(b) Establish procedures for accurately recording non-expendable project equipment held by Governments and non-governmental organizations (NGOs) and disclose the value of the inventory in a note to the financial statements (para. 21);

(c) Seek to amend the financial regulations to require exchange losses arising other than from voluntary contributions to be charged as expenditure, in line with practice adopted by United Nations Headquarters (para. 24);

(d) Expedite the receipt of outstanding disbursement reports in respect of government and NGO executed projects (para. 36);

(e) Apply strictly the Finance Manual provision that advances should not be made while disbursement reports are outstanding and limit the level of advances to no more than one quarter's estimated expenditure (para. 36);

(f) Negotiate with Governments either to provide free premises or to make a contribution towards accommodation costs (para. 65);

(g) Ensure the standard common service agreement incorporates performance targets and service standards (para. 77);

(h) Undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices, to ensure that there is an appropriate balance between decentralization and control, and that sufficient support is available to field offices (para. 84);

(i) Develop more accurate workload measures, specific to the full range of work undertaken, to ensure that General Service staff numbers are commensurate with need (para. 87);

(j) Establish workload benchmarks and measures to determine more accurately the numbers of Professional staff needed (para. 88);

(k) Ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 99).

B. Financial issues

1. Programme expenditure incurred by executing agencies

10. UNFPA included in its financial statements details of expenditure incurred on its behalf by executing agencies, which include United Nations agencies, Governments and NGOs. This information is based on expenditure statements prepared by the executing agencies. These statements should be supported by audit certificates provided by the external auditors of the agencies concerned. In the biennium 1996–1997, $271.8 million in programme expenditure was incurred by executing agencies under these arrangements, as shown in table 1.

Table 1
Programme expenditure incurred by executing agencies, 1996–1997
(Millions of United States dollars)

Executing agency	*Project costs*	*Technical support*	*Administrative and operational services*	*Total*	*Audited*	*Per cent*
United Nations agencies (excluding UNFPA)	49.7	30.8	2.9	83.4	83.4	100.0
Governments	120.9	—	—	120.9	72.6	60.1
Non-governmental organizations	64.9	0.3	2.4	67.6	32.7	48.5
Total (excluding UNFPA)	**235.5**	**31.1**	**5.3**	**271.9**	**188.7**	**69.5**

11. The Board relies on the work of other external auditors, as evidenced by the audit reports, or letters of reliance, to gain adequate assurance that the funds advanced to executing agencies and Governments, and reported in UNFPA financial statements, have been properly expended on UNFPA projects.

12. At the date of finalization of the Board's report, audit reports had not been received from Governments and NGOs in respect of programme expenditure totalling $83.1 million. This expenditure has been included in the UNFPA financial statements, but because of the absence of audit reports there was insufficient evidence to allow the Board to form an audit opinion on it. The Board has therefore restricted the scope of its audit opinion to exclude this expenditure.

13. Table 2 shows, at the date of finalization of the Board's report, the audit reports received in respect of expenditure incurred by Governments and NGOs for the last three bienniums.

Table 2
Audit of programme expenditure incurred by Governments and non-governmental organizations, 1990–1995
(Millions of United States dollars)

	1990–1991			1992–1993			1994–1995		
Executing agency	*Expenditure*	*Audited*	*Percentage*	*Expenditure*	*Audited*	*Percentage*	*Expenditure*	*Audited*	*Percentage*
Governments	67.5	46.9	69.5	48.7	42.2	86.7	101.1	77.5	76.7
NGOs	42.4	38.5	90.7	41.6	40.0	96.0	66.9	41.7	62.3

Table 2 shows that most audit reports are eventually received. For example, in respect of the biennium 1992–1993, UNFPA has received audit reports covering 96 per cent of NGO expenditure and 87 per cent of government expenditure.

14. UNFPA has, in consultation with the Board of Auditors, established a strategy for improving the extent of audit coverage and the timing of receipt of the audit reports, that involves each country office establishing an annual audit plan in which high value and high risk projects are targeted for audit coverage; monitoring implementation of the plans; and reviewing the quality of the audit reports.

2. United Nations System Accounting Standards

15. The Board has assessed the extent to which the UNFPA financial statements for the biennium ended 31 December 1997 conformed to the United Nations System Accounting Standards. The review indicated that, apart from the reporting of the value of contributions-in-kind, the presentation of the financial statements is generally consistent with the standards.

16. The United Nations System Accounting Standards state that significant voluntary contributions-in-kind, which can be used in the normal course of an organization's programme activity, should be reported in the organization's financial statements. Twenty-one Governments provided free premises for UNFPA, but the rental value of these premises was not reported in the financial statements. The Board estimated the rental value to be some $700,000 during the biennium.

17. The Board recommends that UNFPA show the value of these contributions-in-kind in a note to the financial statements.

3. Trust funds

18. Two of the UNFPA trust funds had negative balances totalling $155,000 at 31 December 1997 (schedule 6). UNFPA financial regulation 5.2 requires all trust fund activities to be initiated only on a fully funded basis. The Board found that in one case an NGO had incurred expenditure on a project for which funds were not available, as it had been due for closure. Subsequently, UNFPA had had to request further funds from the donor to cover the expenditure. In the second case, the executing agency had incurred expenditure of $153,000 before funds were received from the donor. UNFPA plans to coordinate information on trust fund income, receipts and proposed expenditure, so that expenditure is not incurred before funds are received. The Board will review UNFPA progress on introducing this new control system.

4. Inventories of non-expendable property

19. UNFPA estimated that the value at 31 December 1997 of its non-expendable property at headquarters and its field offices was $2.8 million and $6.2 million, respectively. The Board is pleased to note that satisfactory returns have been received from all but one field office compared with the last biennium, when 15 failed to make a return. However, the Board noted that there continued to be weaknesses in the maintenance of field office inventories, including a failure to keep them up to date and to check them regularly against the non-expendable property. The Board drew attention to this matter in its 1994–1995 report and is concerned that there has been little improvement. The Board considers that UNFPA should make field offices more aware of their responsibilities concerning inventories of non-expendable property.

20. Regarding non-expendable property held by Governments and NGOs for UNFPA-funded projects, the UNFPA finance manual, in section 10209, requires Governments and NGOs to submit an annual non-expendable property report to the UNFPA representative within 90 days from the close of the year. The Office of Audit and Performance Review has drawn attention to the failure of Governments and NGOs to submit project inventories, to inaccuracies in those submitted and to the failure of representatives to follow up on discrepancies. UNFPA informed the Board that in the revised administrative and programming section of the Policies and Procedures Manual, it is stressing the importance of keeping accurate records of non-expendable project equipment.

21. The Board recommends that UNFPA establish procedures for accurately recording non-expendable project equipment held by Governments and NGOs and disclose the value of the inventory in a note to the financial statements.

5. Reserve for field accommodation

22. In 1991, the Governing Council (now the Executive Board) approved the establishment of a reserve for field accommodation that was to be used to finance the UNFPA share of construction costs of common premises. In 1994, UNFPA advanced $1 million from the reserve towards the construction costs of the UNDP premises. UNFPA has yet to agree with UNDP what its final share of the costs will be and how much remains to be paid. UNFPA informed the Board that the matter remained outstanding pending the conclusion of the UNDP audit and other oversight reports on the matter.

6. Miscellaneous income

23. Net miscellaneous income/expenditure decreased from income of $5.2 million in 1994–1995 to an excess of expenditure over income of $1.9 million in 1996–1997. The main reason for the reversal was that the 1994–1995 figure included a net gain on exchange of $1.1 million, while the 1996–1997 figure included a net loss on exchange of $4.5 million. The Board considers that UNFPA should present the position more transparently in the financial statements and that, except for exchange losses on voluntary contributions, all other losses on exchange should be charged as expenditure rather than be netted off against miscellaneous income. The Board accepts that exchange losses arising from voluntary contributions may properly offset the income.

24. The Board recommends that the UNFPA financial regulations be amended to require exchange losses arising other than from voluntary contributions to be charged as expenditure, as suggested by paragraph 29 of the United Nations System Accounting Standards (A/48/530, annex), and in line with practice adopted by United Nations Headquarters.

7. Travel advances

25. The amount of outstanding travel advances at 31 December 1997 was $178,000 for staff and $146,400 for consultants. The respective figures for 31 December 1995 were $118,400 and $91,000. Thus, outstanding advances have increased by 50 and 60 per cent, respectively, between the two bienniums. The Board noted that 18 of the advances to staff, totalling $24,213, and 92 advances to consultants, totalling $85,364, had been outstanding since 1996. Further, eight staff members had between three and five separate advances outstanding. The total amounts outstanding were net of 5 negative balances for staff, totalling $3,278, and 18 for consultants, totalling $29,167.

26. The Board recommends that UNFPA take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two weeks of actual travel, as required under the UNFPA regulations.

8. Write-off of losses of cash, receivables and property, and ex gratia payments

27. UNFPA has reported losses of cash, stores and other assets totalling $80,665. These included losses of field office equipment valued at $32,267 arising from political turmoil in the countries concerned. In addition, the Board identified the loss of two vehicles and one motorcycle, totalling $36,981 in value, which had been assigned to a project. UNFPA had erroneously assumed that losses of project equipment need not be reported to the Board. UNFPA has now assured the Board that it will include all such losses in its report to the Board. There were no ex gratia payments reported during the period.

C. Management issues

1. Cash management

Introduction

28. The cash position of UNFPA is sensitive: for example, in 1996 UNFPA was pledged General Fund contributions of $302 million, but by 31 December 1996 it had received only $232 million in cash receipts to cover expenditure of $300 million. While much of the balance was paid in 1997, this cash shortfall of $70 million during 1996 created significant cash flow problems during the year. Following the Board's earlier observations and despite determined efforts by UNFPA the shortfall at the end of 1997 was $21 million, compared with $630,000 at the end of 1995. At 31 December 1997 UNFPA had investments of $151 million.

29. The Board of Auditors examined cash management procedures in UNFPA to ascertain whether UNFPA:

(a) Minimized the level of advances;

(b) Reviewed the need for, and level of, any reserves;

(c) Maximized investment revenue while retaining sufficient flexibility to respond to need;

(d) Collected income without delay.

Advances

30. Under UNFPA financial rule 114.7, the level of advances is currently limited to no more than a quarter's expenditure and section 1036 of the UNFPA Finance Manual states that quarterly advances should not be made until the account for the previous quarter has been received. In addition, any outstanding advance should be taken into account in deciding the amount of the next advance. The Field Offices are required to check the justification of the funding request and its consistency with the project's approved annual work plan.

31. Table 3 sets out the level of advances outstanding for 1997, at the end of February 1998, in respect of Governments and NGO projects. Table 3 shows that:

(a) For Governments, 74 Governments held advances totalling $18.0 million, this being $11.4 million in excess of three months' expenditure;

(b) For NGO projects, 244 NGO projects held advances totalling $9.4 million, this being $7.7 million in excess of three months' expenditure.

Table 3
Outstanding advances at the end of 1997 (assessed at the end of February 1998)
(Millions of United States dollars)

Executing agency	*Advances (1)*	*Expenditure (2)*	*Outstanding advances (3)*	*Three months' expenditure (4)*	*Advances in excess of three months' expenditure (3-4)*
74 Governments with excessive advances	44.6	26.6	18.0	6.6	11.4
32 Governments with advances less than a quarter of expenditure	21.9	20.2	1.7	5.0	(3.3)
5 Governments with negative closing balances	0.1	0.2	(0.1)	0	(0.1)
111 Governments	**66.6**	**47.0**	**19.6**	**11.6**	**8.0**
244 NGO projects with excessive advances	16.2	6.8	9.4	1.7	7.7
109 NGO projects with advances less than a quarter of expenditure	20.9	19.1	1.8	4.8	(3.0)
58 NGO projects with negative closing balances	3.7	5.8	(2.1)	1.4	(3.5)
411 NGO projects	**40.8**	**31.7**	**9.1**	**7.9**	**1.2**

32. The Board examined in detail the project operating fund accounts for the 74 countries and 244 NGO projects where the advances were in excess of three months' reported expenditure. The Board found that:

(a) For Governments, 11 countries, with outstanding advances totalling $0.7 million, had failed to submit any quarterly disbursement reports in respect of 1997.

The remaining 63 countries maintained a total of 621 projects. For 276 of these, with outstanding advances totalling $4.4 million, no quarterly disbursement reports had been received in respect of 1997. For a further 147 of these countries' projects, with outstanding advances totalling $4.7 million, disbursement reports were incomplete for 1997;

(b) For NGO projects, of the 244 NGO executed projects where outstanding advances exceeded three months of reported expenditure, the Board found 110 projects,

with outstanding advances totalling $1.8 million, where there had been no 1997 expenditure reported and 59 projects, with outstanding advances totalling $3.6 million, where disbursement reports for 1997 were incomplete.

33. The Board noted that the level of outstanding advances and those in excess of three months' expenditure had increased compared with 1996. For Governments, the net outstanding advances of $19.6 million at the end of 1997 were more than double the 1996 net total of $9 million; and for NGO projects the $9.1 million net outstanding advances were 37 per cent more than the 1996 net total of $6.7 million. For Governments, advances of $11.4 million in excess of three months' expenditure at the end of 1997 was more than double the 1996 figure of $5.6 million; and for NGOs, the advances of $7.7 million in excess of three months' expenditure was 11 per cent more than the 1996 figure of $6.9 million. The Board considers that if UNFPA adhered to the policy of limiting the level of advances to no more than the equivalent of one quarter's expenditure, it could reduce its cash requirement by some $7 million.

34. UNFPA examined why outstanding advances had increased since 1996 and concluded that the majority of the increases could be attributed to one region and, in particular, to two countries. Both countries had, in past years, executed UNFPA projects on a reimbursable basis, but in 1997 switched to requiring advances. At the end of 1997 they had some $1.3 million of outstanding advances, as opposed to being due $3 million at the end of 1996.

35. UNFPA monitors the operating fund advances but only requests representatives to follow up with the Government where there are both large outstanding balances and missing disbursement reports. In response to the Board's earlier observations UNFPA agreed to review its practices and procedures on a fund-wide basis and to develop an effective approach for managing the disbursement of funds. In the meantime, UNFPA would continue to follow up with country offices on the outstanding disbursement reports and unreasonable balances in the operating fund accounts of executing agencies.

36. The Board recommends that UNFPA:

(a) Expedite the receipt of outstanding disbursement reports to keep firmer control over the level of outstanding advances;

(b) Apply strictly the Finance Manual provision that advances should not be made while disbursement reports are outstanding;

(c) Limit the level of advances to no more than the equivalent of one quarter's estimated expenditure.

Interest on advances

37. The UNFPA Finance Manual, in section 10207, subsection 5, states that advances are not given to Governments with the expectation that interest should be earned on these UNFPA resources. If interest is earned on the advances then the Government is required to refund it to UNFPA annually. By the end of February 1998, 15 Governments had declared a total of $52,508 in interest earned in 1997 on UNFPA advances. A further $34,813 in interest had been earned on UNFPA advances to NGOs. This total of $87,321 compares with an amount of $14,516 declared as earned on the 1996 advances. Given the high level of advances allowed to Governments and NGOs, the Board considers that more should be recovered by way of interest earned. For example, based only on the advances to Governments and NGOs in excess of a quarter's expected expenditure and, assuming an average interest rate of 5.5 per cent on its investments, the Board estimated that UNFPA had lost some $480,000 in interest. Additional interest may have been forgone in respect

of those countries and NGOs who had failed to submit complete disbursement reports for 1996 and 1997.

38. The Board recommends that, wherever practicable, UNFPA require Governments and NGOs to open a separate bank account for each project to facilitate the pay-over to UNFPA of any interest earned on project funds.

Closure of projects

39. Under section 10312 of the UNFPA Finance Manual, the Government, as executing agency, has primary responsibility for notifying the UNFPA representatives that a project is financially closed. In addition, UNFPA representatives and the relevant headquarters division should monitor project status and initiate closing action where appropriate.

40. The Board found that by the end of February 1998 there were 220 government executed projects started in 1993 or before where there was an outstanding balance but there had been no expenditure reported in 1997. The outstanding advances on these projects totalled $2.8 million, which, after being offset by $0.6 million owed by UNFPA to Governments for these projects, represented a net balance of $2.2 million due to UNFPA. Fourteen countries had five or more of such dormant projects.

41. For projects managed by NGOs, 60 started in 1993 or earlier, had an outstanding balance, but no expenditure had been reported in 1997. These projects accounted for $0.7 million of the outstanding advances. The Board considers that they should be reviewed and closed where appropriate.

42. UNFPA informed the Board that it had issued a circular clarifying procedures for identifying and closing completed projects, and had also revised the Finance Manual to provide clear guidelines to the field on project closures; in 1997 UNFPA had closed 400 projects.

43. The Board recommends that UNFPA periodically review all inactive projects and take early action to close those that have been completed. This would help recycle unused balances to current projects.

Operational reserve

44. The operational reserve was established by the Governing Council in January 1973 to guarantee the UNFPA funding programme's financial viability and integrity. In 1991 the Council decided that the level of the reserve should be set at $63 million, representing 20 per cent of expected voluntary contributions. In late 1996 UNFPA further reviewed the level of the operational reserve and decided that no change was necessary.

45. Under the UNFPA Financial Regulations, the operational reserve may be used to cover downward fluctuations or shortfalls in resources; uneven cash flows; increases in actual costs as compared to planning estimates or fluctuations in delivery; and other contingencies that result in a loss of resources for which UNFPA has made commitments for programming. During 1996, UNFPA drew down $20 million from the operational reserve to finance general activities, pending receipt of government pledges. The balance of the reserve stood at $43 million at 31 December 1996. However, UNFPA was able to restore the reserve's balance to $63 million when the outstanding contributions were received early in 1997.

46. Under UNFPA financial regulation 12.2 (a), the reserve is required to be held in irrevocable and promptly available liquid assets. In early 1997, UNFPA asked UNDP if it would be feasible to invest its operational reserve long term (18 months or longer) in order to maximize its return. After reviewing the cash flow forecast and noting the possibility that

some donors might not remit their contributions on time, UNDP recommended that UNFPA invest the maturing funds on a three to six month horizon to ensure its liquidity, as well as to comply with the financial regulations.

47. The Board was pleased to see that UNFPA kept the level of reserve under review. The Board considers that, in view of the short-term nature of the risks that the reserve is intended to cover, it remains appropriate that the reserve be held in highly liquid investments.

Investments

48. UNFPA interest on investments amounted to some $7 million in 1996 and $7.5 million in 1997. At 31 December 1997, UNFPA had investments of $151.6 million. The sources of the invested funds were as follows (in millions of United States dollars):

Operational reserve	63.00
Reserve for field accommodation	4.00
Cost sharing	0.38
Trust funds	39.70
General resources	29.51
General resources (trust funds)	15.00
Total	**151.59**

49. These funds were invested in short-term time deposits ($97.5 million); bonds and notes ($53.7 million), which are longer-term investments; and call accounts ($0.4 million) for immediate access. The balance between these holdings is determined by UNFPA on the advice of UNDP, which maintains the investments on behalf of UNFPA. UNFPA and UNDP regularly discuss UNFPA funds to ensure efficient cash and investment management.

50. The Board was pleased to note that since October 1996 UNFPA has produced monthly cash flow forecast statements, which are discussed with UNDP and which form the basis of UNFPA investment and funding decisions. However, the value of the statements in predicting cash needs is limited by the uncertainties over the timing of receipt of contributions and by the lack of information currently available on the likely profile of procurement expenditure, which currently amounts to some $35 million per year. The Board suggests that UNFPA establish a monthly profile of expected procurement expenditure, which should be updated and fed into the cash flow forecasts to provide a more accurate analysis.

2. Property management

Introduction

51. In 1996–1997, UNFPA incurred rental costs of $6.9 million for its headquarters, eight country support team offices and 94 field offices, and a further $2.45 million on premises-related costs, such as maintenance, custodial and cleaning services.

52. The United Nations Secretary-General requested the implementation of common premises arrangements at the country level for all United Nations funds and programmes, and for the establishment of common services arrangements at the country level. The Secretary-General accordingly set up a United Nations Task Force on Common Services, including Common Facilities Management.

53. The United Nations Development Group's Sub-Group on Common Premises and Services is responsible for overseeing each common premises project, including planning, design, financing, construction and management. One of the Sub-Group's terms of reference was to make recommendations on present and future construction or renovation needs, taking into account budget limitations and benefits of sharing common premises. The Sub-Group has contracted an international real estate management company to devise a common premises methodology, including forecasting the projected combined needs of the in-country United Nations funds and programmes; cost benefit analysis; management of common premises and services; and apportionment of costs.

54. The Board examined the premises management procedures of UNFPA to see whether it had:

(a) Used the most cost-effective means of meeting its space requirements;

(b) Managed its premises related expenditure economically and efficiently;

(c) Negotiated equitable cost-sharing arrangements.

Information database

55. For its headquarters building, UNFPA held full details of the premises and the space available, but did not have comprehensive occupancy rates or future requirements. In 1997, UNFPA started to collect comprehensive data on its field office premises, including copies of leases and rental agreements, the costs, tenure, size, condition and occupancy for all its field offices.

56. Until such information is fully available, UNFPA is not in a position to monitor accommodation costs, for example, by analysing trends or calculating unit costs, in order to make comparisons between premises expenditure. The Board was pleased to note, however, that UNFPA, in conjunction with the Sub-Group, has purchased a computer-aided facility management system that should enable it to manage its premises more efficiently and effectively. The facilities management programme is designed to facilitate accurate recording of office space; space planning and efficient use of floor space; recording of all personnel locations; and planning and implementation of moves and changes.

Meeting premises and space requirements

57. The 264 staff currently in UNFPA headquarters occupy 77,349 square feet of space at a 1996–1997 rental cost of $3.2 million. The eight regional country support team offices house 216 staff at 1996–1997 rental cost of $1 million. The field offices in 94 countries, with 661 staff, incurred $2.7 million in rental costs in 1996–1997. UNFPA had no information on the space occupied by the country support team and field offices.

58. The Board was pleased to note that UNFPA had clearly defined the roles and responsibilities of UNFPA staff in relation to property management; and it had established a system for allocating office space according to need. In addition, the Board considers that the new computer facilities management system will improve UNFPA space management. **However, the Board recommends that UNFPA strengthen its space management systems to include space costs as part of the overall resource planning and management system; and that it establish clear objectives about what space management measures are intended to achieve.**

Headquarters

59. UNFPA hired a specialist firm to renegotiate its headquarters lease in 1995. The space leased was based on the space that had been occupied for the previous 10 years. UNFPA informed the Board that the lease was the result of careful consideration of a number of scenarios of various locations and lengths of lease. In addition, UNFPA implemented a lease audit, at a cost of $10,000, which resulted in a rent rebate of approximately $150,000 from the landlords. In its negotiations for a five-year lease from 1996 to 2000, UNFPA secured significant reductions compared with the level of rent paid in 1994–1995 (see table 4).

Table 4
Rent of the headquarters building

Year	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*
Total gross rent (millions of dollars)	3.26	3.45	1.48	1.70	1.80	1.92	2.04
Gross rent per square foot (dollars)	42.18	48.09	19.82	22.71	24.12	25.63	27.23

60. UNFPA acknowledges the importance of medium to long-term staffing projections to forecasting future space requirements and has informed the Board that it will focus on this critical issue in deciding on the long-term headquarters accommodation.

61. At the time of the Board's audit, UNFPA had not carried out regular space use reviews or occupancy audits. UNFPA informed the Board that it had since undertaken a space use review following the Board's observation, and that, as a result, it had made more effective use of vacant space. UNFPA had also assessed the impact of the existing pattern of space usage on operational efficiency and developed a plan to rationalize space use across all its floors. It expected the relocation, when completed, to facilitate improved management and provide a more rational and cohesive office layout.

62. UNFPA has no premises performance indicators, particularly on costs and occupation densities, that would enable it to analyse trends and make comparisons with other organizations. For example, UNFPA could develop indicators to monitor the cost per square foot of accommodation, the cost per staff member, the average area occupied per member of staff, and the ratio of usable to non-usable (common) space. Such indicators could also be used to compare UNFPA branches and identify anomalies in space use.

Field offices

63. Table 5 sets out the total amount of rent paid on UNFPA field office buildings.

Table 5
Field office rental expenditure

Premises[a]	*Number of field offices*	*1996 rental expenditure*	*1997 rental expenditure*	*Number of field offices where average rental per person is exceeded*	*Number of UNFPA staff*
		(Thousands of United States dollars)			
Free common premises	13	—	—	—	73
Common premises	33	445	544	11	234
Free shared premises	8	—	—	—	64
Shared premises	26	541	586	14	170
UNFPA only premises	14	217	339	5	120
Total	**94**	**1 203**	**1 469**	**30**	**661**

[a] "Common" is where one or more Joint Consultative Group on Policy agencies are located in the same premises, or where only two Joint Consultative Group on Policy agencies are present in the country and located in the same premises. "Shared" is where two Joint Consultative Group on Policy agencies are located in the same premises, or where one Joint Consultative Group on Policy agency and one or more non-Joint Consultative Group on Policy agencies are located in the same premises.

64. Only 21 Governments supplied premises free to UNFPA, which does not have host country agreements requiring Governments to provide free accommodation. Several other Governments paid a contribution towards local office costs of other United Nations agencies, but UNFPA did not benefit from these agreements and did not receive any payments. The policy on common premises of the Joint Consultative Group on Policy was that the Government should be called upon to provide an appropriate office to serve as the local headquarters for the United Nations funds and programmes in that country; and where this was not done, the Government could pay an annual lump sum to cover the costs required for the leasing of the appropriate premises.

65. The Board recommends that UNFPA negotiate with Governments either to provide free premises or to make a contribution towards accommodation costs. UNFPA accepted the Board's recommendation, noting that as a member of the Sub-Group, it was adhering to the Secretary-General's directive to move towards common premises and the establishment of United Nations Houses. UNFPA also undertook to direct all representatives to investigate the possibility of requesting host Governments to extend the UNDP Government local operating costs or similar contribution to UNFPA offices where such arrangements did not already exist.

66. In the 73 offices where UNFPA paid rent in the biennium, the average 1996–1997 rental cost per staff member was $5,100, and ranged from $440 in Chad to $21,404 in Mexico. Thirty offices exceeded the average and, of these, 12 were more than double the average. The four most expensive offices identified in the Board's analysis are shown in table 6:

Table 6
Most expensive field office accommodation, 1996–1997

Country office	*Status*	*Premises rental (dollars)*	*Number of staff*	*Rental cost per staff member (dollars)*	*Compared to average cost (percentage)*
Brazil	Common	188 099	9	20 900	410
Mexico	Shared	171 237	8	21 404	419
Panama	Shared	38 831	2	19 416	380
Romania	Shared	95 700	5	19 140	375

67. The Board's analysis shows that in these countries UNFPA paid at least three to four times the average rental cost per staff member. The Sub-Group carried out a full cost benefit analysis before deciding on a particular common premises and the way it would be provided, for instance, between leasing and building.

68. UNFPA informed the Board that the Sub-Group reviews the premises and related costs in selected countries. UNFPA has tried to ensure that, wherever possible, its high cost countries are targeted by these reviews. As a result, of the four countries identified in table 5, Mexico has already been subject to a study and Brazil has been selected for a study in late 1998. The Islamic Republic of Iran, which is among the 10 most expensive UNFPA offices, was subject to a study in April 1998. However, none of the recommendations arising from the reviews has been implemented, despite there being cost savings in some cases. For example, a review of premises costs in Egypt recommended that UNFPA could save $92,000 in rental costs over five years by moving to another building. UNFPA informed the Board that in this particular case its move was being delayed by the refusal of another United Nations agency to move to the proposed shared premises.

69. The Board examined 15 of the UNFPA field offices and in 6 cases there was no information at headquarters on space occupied by the field offices concerned. In the remaining nine cases, seven occupied space in excess of the standards. In two cases the space occupied was considerably in excess of the guidelines; for example, the representative and his staff were in rooms at least 50 per cent larger than the size entitlement.

70. The Board recognizes that it may be difficult to find suitable office accommodation in some countries and that such factors as security and proximity to other United Nations agencies and government ministries have to be taken into account. UNFPA pointed out that premises were not usually built to suit United Nations standards. However, the Board considers that to achieve cost effectiveness, UNFPA should, wherever possible, endeavour to ensure the guidelines are followed even when considering unconventional office accommodation.

Premises-related expenditure

71. In the biennium 1996–1997, UNFPA incurred $2.45 million on premises-related expenditures. Of this, the field offices and the country support team offices costs amounted to $2.02 million and $0.35 million, respectively, while headquarters costs were only $0.08 million, as the lease covered much of the maintenance and custodial costs.

72. For those offices paying for such services, 10 field offices had maintenance costs that were twice the average cost of $355 per staff member, ranging from $743 to $2,016. Four of these paid over four times as much as the average. Similarly, for custodial and cleaning

services, 13 offices paid twice the average of $711 per staff member, ranging from $1,466 to $1,902.

73. The Board considers that UNFPA should examine maintenance and other property-related expenditure against benchmarks to identify anomalous offices. **The Board therefore recommends that UNFPA establish standards and guidelines for premises-related expenditure and monitor outturn to identify inconsistencies and deviations from standards.**

Cost-sharing arrangements

74. The Sub-Group's policy is that common services should be shared, wherever possible, to utilize better office space and to cut down on operating costs. The rationale is that economies of scale should permit cost savings when service functions are carried out on behalf of a number of agencies, rather than replicated in different agencies.

75. The Board examined the 1996–1997 common services expenditure and found that these services cost an average of $1,128 per staff member for the 68 field offices that had established formal common services agreements. Seven offices had costs at least twice this level, ranging from $2,619 to $10,596. Four of the offices paid more than four times the average common service costs.

76. While UNFPA and the other agencies used standard common services agreements, they did not include performance targets or standards of service. Without these, and appropriate penalties for non-compliance, UNFPA was unlikely to achieve an equitable and cost-effective agreement. UNFPA acknowledges the necessity of including qualitative and quantifiable criteria to assess the quality and cost-effectiveness of support provided under common service agreements. In line with this, UNFPA has specifically requested that this issue be addressed by the Sub-Group.

77. **The Board recommends that UNFPA ensure that the standard common service agreement incorporates performance targets and service standards.**

3. Human resource management

Introduction

78. Since 1994, the number of UNFPA approved staff posts rose from 801 to 919. The breakdown for 1996–1997 is shown in table 7 below.

Table 7
Approved posts, 1996–1997

	Headquarters	*Field offices*	*Total*
International Professional staff	107	81	188
National programme officers	—	141	141
General Service staff	137	453	590
Total	**244**	**675**	**919**

79. In 1997, UNFPA had a vacancy rate of 5.5 per cent for international Professional staff and headquarters General Service staff and 14 per cent for local posts compared with 4 and 9 per cent, respectively, in 1996. Salary costs in the biennium 1996–1997 were $82.8 million against an appropriation of $93 million, representing an underspend of 11 per cent. While

the number of staff posts at headquarters has remained largely unchanged, the number of field office staff posts, the national Professional staff and local General Service staff have increased significantly.

80. The Board examined UNFPA human resource management and procedures to see whether UNFPA had a satisfactory means for assessing the numbers and grades of staff needed to meet its objectives, and meeting those needs in the most cost-effective and economical manner.

Review of staffing requirements to meet UNFPA objectives

81. UNFPA last undertook a comprehensive review of its staffing requirements in 1988, following a request from its Governing Council (now its Executive Board). Since then, UNFPA has encouraged the policy of national execution, in which Governments or national NGOs take on the responsibility and accountability for the management and execution of UNFPA-funded projects. In 1992, a consultant's report suggested that national execution would require UNFPA to develop stronger managerial and technical capacity at the country level and that field office staff levels needed to be sufficient in quantity and quality to handle the increased and more complex workload.

82. In 1996–1997, a senior management adviser examined the field office capacity of UNFPA and the decentralization of approval authority and decision-making processes. The adviser found that developments over recent years, in particular the decentralization of approval authority and delegation of other responsibilities to the field, had placed increased demands on UNFPA and its field staff.

83. The Board noted that between the 1992–1993 and 1998–1999 bienniums, while the total number of field office staff had increased substantially, the total numbers of headquarters staff had remained relatively static. Accordingly, the actual/planned ratio of headquarters to field staff had changed substantially, from 1:2.3 in 1992–1993 to 1:3.0 in 1998–1999 (see table 8).

Table 8
Ratio of headquarters to field staff

	1992–1993		*1994–1995*		*1996–1997*		*1998–1999*	
	Head-quarters	*Field*	*Head-quarters*	*Field*	*Head-quarters*	*Field*	*Head-quarters*	*Field*
Number of staff	246	555	244	593	244	675	242	730
Ratio of headquarters:field	1:2.3		1:2.4		1:2.8		1:3.0	

84. Given the changes in UNFPA and the fact that there had not been a comprehensive review since 1988, the Board considers that UNFPA should review the relationship between headquarters and field offices to ensure that there is an appropriate balance between decentralization and control, and that sufficient support is available to field offices. **The Board recommended, and UNFPA agreed, that a comprehensive staffing review was needed, including an examination of the relationship between headquarters and field offices to ensure that there is an appropriate balance between decentralization and control, and that sufficient support is available to field offices.**

Headquarters

85. The Board noted that, although the total number of headquarters staff had remained relatively stable since 1992–1993, there had been a small but steady increase in the numbers of headquarters management and administrative staff (see table 9).

Table 9
Headquarters approved staff posts

	Management and administration				*Programme support*				*Total*			
Staff level	*1992–1993*	*1994–1995*	*1996–1997*	*1998–1999*	*1992–1993*	*1994–1995*	*1996–1997*	*1998–1999*	*1992–1993*	*1994–1995*	*1996–1997*	*1998–1999*
Professional staff	48	48	51	51	61	59	56	54	109	107	107	105
General Service staff	79	79	81	82	58	58	56	55	137	137	137	137
Total	**127**	**127**	**132**	**133**	**119**	**117**	**112**	**109**	**246**	**244**	**244**	**242**

86. UNFPA informed the Board that it was considering carrying out job audits of the headquarters General Service posts with the intention of drawing up benchmark job descriptions, and was considering hiring outside consultants to assess the competencies for all its posts, starting with core competencies for line managers. UNFPA intends using this information to help decide the skills required for posts, the training required and the selection of candidates to fill posts.

87. The Board recognizes the efforts made, or planned, to ensure that General Service staff are properly graded and sufficient in numbers to carry out the workload. **The Board recommended, and UNFPA agreed, that more accurate workload measures should be developed, specific to the full range of work undertaken, to ensure that General Service staff numbers are commensurate with need.** UNFPA accepts that it needs to undertake a comprehensive assessment of the workload, particularly within headquarters divisions. UNFPA has informed the Board that the job review for General Service posts at headquarters as originally planned will be conducted as an integral part of the assessment, especially in the light of the Board's recommendations.

88. UNFPA also accepted the Board's recommendation that it similarly establish benchmarks and measures to determine more accurately the numbers of Professional staff needed. The UNFPA proposed field office capacity study, planned for late 1998, will form part of an overall review and assessment exercise, including the establishment of workload benchmarks for Professional staff. These reviews will be followed by a revision of job content and post descriptions. UNFPA also intends identifying and developing generic competencies that will be useful in selecting candidates to fill vacancies, enhancing the staff performance assessment process and facilitating the design of training modules for staff development.

Field offices

89. UNFPA policy is to continue to strengthen the capacity of field offices to provide the technical, financial and programmatic assistance required to support the population programme of recipient countries. UNFPA considers that this will enable it to respond effectively to the increased demands arising from the new programme priorities emanating from the Programme of Action of the International Conference on Population and Development, held at Cairo in 1994, the further decentralization of programme approval

authority and programme implementation, and the emphasis on institutional capacity-building and national execution.

90. Table 10 shows that, since 1992–1993, the number of approved field office posts rose by 22 per cent to 675 in 1996–1997 and a planned additional 55 posts for 1998–1999 will bring the total increase to 32 per cent since 1992.

Table 10
Field office approved posts

Level	*1992–1993*	*1994–1995*	*1996–1997*	*1998–1999*
Total international Professional	70	73	81	89
National programme officers	112	124	141	156
General Service staff	373	396	453	485
Total local staff	485	520	594	641
Total field office staff	**555**	**593**	**675**	**730**

91. In its report on the biennium 1994–1995, the Board found that UNFPA had not assessed the impact that a move towards national execution would have on UNFPA resources, particularly in the field office, where the impact was likely to be most significant. Nor did UNFPA assess the particular skills required, identify training needs or assess the impact of national execution on staff resources. The Board also commented that consultants had considered that field offices lacked the staff to administer and monitor programmes adequately. Moreover, the Board found that UNFPA had not established the precise responsibilities of field office staff in implementing national execution or in identifying what skills were required.

92. UNFPA has further reviewed this issue and plans to submit a comprehensive report to the Executive Board in 1998. The Board remains concerned that UNFPA had not adequately defined the role and responsibilities of field staff in relation to national execution.

93. UNFPA representatives are responsible for the staffing of the field offices. Over the last two years the UNFPA personnel branch has collected information about locally employed staff to enable it to help the UNFPA representatives to deal more effectively with vacancies and the strengthening of the field offices.

94. The Board recommended, and UNFPA agreed, that there was a need to carry out a field capacity study to assess whether country offices are appropriately staffed.

Staffing information

95. Under a long-standing agreement UNDP handles the main personnel administration of UNFPA, although UNFPA carries out limited personnel functions, mainly those relating to staff allocation. UNFPA plans to link skills data with the human resource data contained in the Integrated Management Information Service personnel computer module, and to develop a system that will maintain staff training records on personnel files. UNFPA has accepted that it needs more information to enable it to match people to jobs.

96. The Board is pleased to note that UNFPA is taking steps to strengthen its information on staffing and encourages UNFPA to develop further its skills inventory.

Year 2000 issue

97. The Board undertook a study to assess the preparedness of UNFPA for managing the year 2000 issue, which threatens all information systems.

98. UNFPA informed the Board that two of its main systems, the programme resources management system and the UNFPA integrated field office system were both considered to be year 2000 compliant. The programme resources management system is implemented in headquarters to allocate funds to projects and to monitor expenditure, and the integrated field office system is implemented in field offices to record expenditure, advances and budgets, including those for projects. UNFPA also informed the Board that its procurement manager system had been assessed as year 2000 compliant. Since UNFPA uses UNDP and the United Nations Headquarters for a number of financial, personnel and administrative services, UNFPA will be affected by these bodies' computer applications and the extent to which they are year 2000 compliant.

99. The Board recommends that UNFPA ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies.

4. Cases of fraud and presumptive fraud

100. Two cases of fraud or presumptive fraud were reported to the Board. In one case, involving a total amount of $7,234, vehicles were rented out for personal use, there was misuse of petty cash and the improper purchase of cell phones, software and services. UNFPA has strengthened the controls at the field office concerned. The other case involved the use by a government employee of a project vehicle for a taxi service. The records were insufficient for an exact value of the loss to be calculated. UNFPA has since established a vehicle management system at the project concerned. The Board is satisfied that there are proper procedures for reporting fraud or presumptive fraud and that they were followed.

D. Acknowledgement

101. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of the United Nations Population Fund and her staff.

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor General of India

(*Signed*) Osei Tutu **Prempeh**
Auditor-General of Ghana

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

15 July 1998

Annex

Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report for the period ended 31 December 1995[a]

Recommendation 11 (a)

1. UNFPA should adhere more closely to the requirement that trust fund activities only be initiated on a fully funded basis.

Measures taken by the Administration

2. UNFPA has introduced a standard trust fund agreement that includes a clause requiring sufficient advance funds to meet anticipated expenditure. New sections in the UNFPA Policies and Procedures Manual relate to trust fund programming and administration and UNFPA has emphasized to all concerned the importance of trust funds being funded before expenditure is incurred.

Comments of the Board

3. The Board welcomes the new agreement. However, the Board was concerned to find that two other funds had negative balances arising from different causes at the end of the biennium.

Recommendation 11 (b)

4. UNFPA should make a more systematic assessment of country needs to ensure that it can respond in a well-planned and effective manner. It should also set strategic targets for the implementation of national execution.

Measures taken by the Administration

5. UNFPA has introduced a programming process that allows for a systematic assessment of country needs based on:

(a) The country population assessment that replaces the programme review and strategy development and is a national strategic exercise with emphasis on capacity-building;

(b) The logical framework approach, including stake-holder analysis, at the programme/project level.

UNFPA has also reviewed its national execution guidelines and initiated consultation with UNDP. While, as a matter of policy, UNFPA promotes and gives first priority to national execution as the preferred execution modality it does not set a global target for national execution.

[a] *Official Records of the General Assembly, Fifty-first Session, Supplement No. 5G* (A/51/5/Add.7), chap. II, para. 11.

Comments of the Board

6. The Board welcomes the adoption of a more systematic approach to assessing country needs, and will review the outcome in due course. The Board notes that UNFPA has decided not to set strategic targets for the implementation of national execution, but to proceed on a case-by-case basis.

Recommendation 11 (c)

7. UNFPA should determine the role and responsibilities of field staff in relation to national execution and then plan the training and resources required to equip the field offices to fulfil their tasks.

Measures taken by the Administration

8. UNFPA has further reviewed this issue in its discussion of the absorptive capacity study (see para. 14). A comprehensive report will be submitted to the Executive Board at its annual session in 1998. The 1998–1999 support budget contained provisions to strengthen the capacity of field offices and appropriate field staff training plans have been prepared. With regard to this matter, the United Nations Development Group discusses the operational implications that are common to them.

Comments of the Board

9. The Board considers that the report to be submitted to the Executive Board does not adequately define the role and responsibilities of field staff in relation to national execution.

Recommendation 11 (d)

10. UNFPA should finalize and issue the draft guidelines on the selection and assessment of institutions for national project execution.

Measures taken by the Administration

11. UNFPA is currently finalizing guidelines for assessing and selecting executing agencies which also pertain to national execution. The guidelines were to be issued by mid-1998. UNFPA has also obtained the agreement of the United Nations Development Group on the need for a system-wide approach to capacity assessments and has introduced the logical framework, which uses verifiable indicators to monitor outcomes such as capacity-building.

Comments of the Board

12. The Board intends to examine the new guidelines when they are available.

Recommendation 11 (e)

13. UNFPA should evaluate its progress on implementing national execution and the methods used to enhance national capacity and compare the effectiveness of national project execution with agency or other execution.

Measures taken by the Administration

14. UNFPA has completed a thematic evaluation of execution modalities, including national execution. UNFPA has also undertaken a study on absorptive capacity and utilization of financial resources among recipient countries, particularly in Africa, in order to identify constraints in project execution. UNFPA intends that clarification of the criteria for selecting executing agencies, as well as the recommendations of the study on absorptive capacity, will enable a practical, systematic approach to national capacity-building.

Comments of the Board

15. The Board welcomes the evaluation and the absorptive capacity study, and looks forward to examining the results.

Recommendation 11 (f)

16. UNFPA should develop appropriate indicators of capacity-building and of the impact of country support teams on programmes and projects.

Measures taken by the Administration

17. UNFPA has introduced a set of population and reproductive health indicators which includes a number of process and outcome indicators that assess capacity-building at the country level. UNFPA has shifted country support team intervention to the strategic stages of the programme cycle, such as the mid-term review, with a consequent reduction in project advisory work. This has allowed the teams to focus more on long-term country needs, training and capacity-building. The work plan and progress report formats for country support teams have been revised to allow a better assessment of how country support team advisers work at the country level. A framework for use in country support team mission reports will be developed to reflect their impact on programmes and projects.

Comments of the Board

18. The Board will review the development of indicators in its future audits.

Recommendation 11 (g)

19. UNFPA should review the scope for extending the use of consultants in a country support role in order to gain access to fresh skills, as well as to reduce costs.

Measures taken by the Administration

20. The use of national expertise for technical backstopping at the project level has increased significantly and country support team advisers are used more for programme interventions. The revised technical support services inter-agency guidelines, issued in October 1997, also emphasize that the first level of expertise in the technical support services system is national consultants. In addition, the country support teams have established consultants' rosters in case neither national nor country support team expertise is available.

Comments of the Board

21. The Board welcomes the increased use of national expertise and trusts that this will lead to a reduction in the number and cost of country support team advisers.

Recommendation 11 (h)

22. UNFPA should establish and periodically review countries' needs and ensure that resources of country support teams are adjusted accordingly.

Measures taken by the Administration

23. UNFPA and the Inter-Agency Task Force review continuously the technical support services system to ensure that country support team resources meet evolving needs. In the process of assessing country needs, UNFPA actively solicits and takes into account the inputs from the Fund's country representatives. UNFPA has redistributed country support team posts taking into account both geographical and speciality considerations. As a result, there has been an increase in allocation of country support team posts in Africa covering reproductive health and gender issues.

Comments of the Board

24. The Board welcomes the UNFPA approach, notes the overall reduction of 14 country support team/technical support services expert posts.

Recommendation 11 (i)

25. UNFPA should review the running costs of the offices of country support teams and exercise tight control, including establishing performance targets and measures to provide standards against which those offices can compare their costs.

Measures taken by the Administration

26. UNFPA expects its new management arrangements for the technical support services/ country support team system to bring about significant improvements in planning, resource allocation and controlling running costs. All budget requests will be reviewed and any deviation from average costs will have to be justified in writing and approved. Following an extensive review UNFPA is revising its operational guidelines for the technical support services system and these will be issued in 1998.

Comments of the Board

27. The Board welcomes the management improvements but notes that the technical support services costs increased from $42.3 million in 1994–1995 to $47 million in 1996–1997, an increase of 11 per cent. The Board intends reviewing the new arrangements.

Recommendation 11 (j)

28. UNFPA should give more consideration to the question of whether an agency is best suited for a project and of whether all the alternatives have been assessed and the most cost-effective approach chosen.

Measures taken by the Administration

29. The UNFPA thematic evaluation of execution modalities has provided a conceptual framework for the evaluation and performance standards for executing agencies. A working group is finalizing guidelines for the selection and assessment of executing agencies. The guidelines are expected to be issued by mid-1998. UNFPA has also started developing capacity and skills profiles for organizations to assist decisions of programme staff. The Programme Review Committee also discusses the suitability of executing agencies.

Comments of the Board

30. The Board intends to examine the guidelines when they are available.

Recommendation 11 (k)

31. UNFPA needs to take a more proactive role in formulating projects, setting out the requirements for meeting the overall objectives of UNFPA and those of the intercountry programme.

Measures taken by the Administration

32. UNFPA followed a proactive process when formulating the 1996–1999 intercountry programme by linking it to country needs. The UNFPA Programme Review Committee reviewed the regional and interregional projects to enhance the complementarity of the activities at global and regional levels. The Committee also commented on the eventual use and relevance, at country level, of the outputs under the programme. Intercountry programme guidelines are being finalized and will provide at the project appraisal stage for a more systematic assessment of the links with UNFPA objectives and the country needs.

Comments of the Board

33. The Board has examined the 1996–1999 intercountry programme and is satisfied that it is relevant to country needs. The Board looks forward to examining individual projects to see whether they relate more closely to UNFPA objectives and those of the country programme.

Recommendation 11 (l)

34. Where appropriate, UNFPA should use baseline studies to identify the need and the potential recipients of the project, and, where possible, it should set out a project's objectives in clearly quantifiable and qualitative terms.

Measures taken by the Administration

35. The new intercountry programme guidelines use the logical framework approach, already used for country projects, for defining quantitative and qualitative goals and outputs. In addition the guidelines will include the need for more baseline studies.

Comments of the Board

36. The Board will examine the guidelines when they are available and intends to assess how they are applied.

Recommendation 11 (m)

37. There should be more active involvement by the project officer in obtaining independent evidence of the project's progress, its quality, whether it is reaching the intended recipients and whether the objectives are being achieved.

Measures taken by the Administration

38. Management of the intercountry programme now lies with the UNFPA technical division and the new programme will be monitored by technical experts to see if the new programming process yields the expected improvements.

Comments of the Board

39. The Board is pleased to note that technical experts will monitor the programme.

Recommendation 11 (n)

40. The UNFPA Division of Personnel should set clear criteria for the terms of reference for consultants and ensure that they are met.

Measures taken by the Administration

41. In January 1998, UNFPA issued revised guidelines for preparing consultant's terms of reference which include clear criteria for the supervision and assessment of assignments. Following a review by a UNFPA interdivisional working group on special service agreements, UNFPA intends including the consultant's terms of reference as part of the contract with the consultant.

Comments of the Board

42. The Board examined the guidelines and is satisfied that there are clear criteria for the terms of reference.

Recommendation 11 (o)

43. UNFPA should make increased use of its international roster and maintain it with up-to-date information.

Measures taken by the Administration

44. UNFPA has instructed its country support teams and geographic divisions to ensure that all consultants are included in its international roster and to improve the management of the roster by the technical division. The Division of Personnel requires new consultants to be entered in the roster, which is being redesigned to make it more user-friendly.

Comments of the Board

45. The Board welcomes the UNFPA actions to improve the international consultants' roster.

Recommendation 11 (p)

46. UNFPA should review its selection procedures for consultants to secure a wider consideration of candidates.

Measures taken by the Administration

47. A UNFPA working group has reviewed the special service agreements, including the selection process and procedures. One of its recommendations was that the new guidelines should contain provisions to ensure a more competitive selection process. New guidelines are being prepared and will be issued in late 1998.

Comments of the Board

48. The Board examined the working group's report and found that it confirmed the Board's own findings that there was little evidence that the selection process was undertaken on a competitive basis or that there was any reference checking, performance assessment or verification of quality of work associated with the selection of consultants. The Board is particularly concerned that this matter has not been addressed in view of the General Assembly's request to executive heads of organizations to ensure selection of consultants on a more competitive basis and to keep instances of recourse to sole candidates to a strict minimum (sect. VI, para. 3, of General Assembly resolution 51/226 of 3 April 1997). The Board will examine the new guidelines when they are available to see how well they address these issues.

Recommendation 11 (q)

49. Evaluating officers should be required to give greater attention to the completion of assessment forms and, as a minimum, the consultants' strengths and weaknesses should be identified.

Measures taken by the Administration

50. A revised assessment form was introduced in January 1998. The new form requires explicit consideration of output and quality of services. These forms are returned to the Division of Personnel for use in updating the consultants' roster.

Comments of the Board

51. The Board welcomes the introduction of the new form and will be examining the outcome as part of a follow-up review of the management of consultants.

Chapter III

Audit opinion

We have audited the accompanying financial statements, comprising statements I to IV, schedules 1 to 7, and the supporting notes of the United Nations Population Fund for the financial period ended 31 December 1997. The financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

Except for the effect of any adjustments that may be necessary upon receipt of outstanding audited expenditure statements relating to nationally executed projects, in our opinion, these financial statements present fairly, in all respects, the financial position at 31 December 1997 and the results of operations and cash flows for the period then ended in accordance with the Fund's stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the Fund, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long form report on our audit of the Fund's financial statements.

(Signed) Vijay Krishna **Shunglu**
Comptroller and Auditor General of India

(Signed) Osei Tutu **Prempeh**
Auditor-General of Ghana

(Signed) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

15 July 1998

Chapter IV
Certification of the financial statements

30 April 1998

Sir,

We, the undersigned, acknowledge that:

- The Management is responsible for the integrity and objectivity of the financial information included in these financial statements;
- The financial statements have been prepared in accordance with the United Nations System Accounting Standards and include certain amounts that are based on Management's best estimates and judgements;
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions, and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditor continually reviews the accounting and control systems. Further improvements are being implemented in specific areas;
- The Management provided the United Nations Board of Auditors and the internal auditor with full and free access to all accounting and financial records;
- The recommendations of the United Nations Board of Auditors and the internal auditor are reviewed by the Management. Control procedures have been revised or are in the process of revision, as appropriate, in response to these recommendations.

With regard to the above assurances, the responsibility of UNDP is limited to the services provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.2.

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(Signed) Sethuramiah **Rao**
Director
Division for Finance, Administration and
Management Information Services
United Nations Population Fund

(Signed) Veronique **Lavorel**
Assistant Administrator
Bureau for Finance and
Administrative Services
United Nations Development Programme

Chapter V

Financial statements for the biennium ended 31 December 1997

Statement I

Income and expenditure for the biennium ended 31 December 1997

(Thousands of United States dollars)

		UNFPA General Fund		Trust Funds	
		1996-1997	1994-1995	1996-1997	1994-1995
INCOME					
Contributions from Governments and other contributors					
Voluntary contributions		**589 676**	558 053	**75 689**	94 207
Add:					
Adjustments to pledges for prior periods - net		**134**	(138)	-	-
Exchange adjustments on collection of contributions		**(726)**	(255)	-	-
Contributions - net		**589 084**	557 660	**75 689**	94 207
Cost sharing contributions		**886**	565	-	-
Interest income		**10 418**	14 434	**4 091**	3 674
Miscellaneous income (expenditure) - net	(Schedule 2)	**(1 976)**	5 197	-	(20)
TOTAL INCOME		**598 412**	577 856	**79 780**	97 861
EXPENDITURE					
Project Expenditure		**430 854**	432 336	**58 342**	88 715
Technical support services		**47 048**	42 305	-	-
Administrative and Operational Services		**5 249**	6 813	**180**	121
UNFPA support costs		**9 674**	9 595	**2 661**	4 279
	(Schedule 3)	**492 825**	491 049	**61 183**	93 115
Biennial Support Budget - net	(Schedule 5)	**111 060**	95 383	-	-
TOTAL EXPENDITURE		**603 885**	586 432	**61 183**	93 115
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		**(5 473)**	(8 576)	**18 597**	4 746
Provision for write-off of non-convertible currencies	(Note 7)	**(30)**	-	-	-
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		**(5 503)**	(8 576)	**18 597**	4 746
RESERVES AND FUND BALANCES, 1 JANUARY		**91 688**	100 264	**23 667**	19 727
Transfer to Trust Funds		**(6 667)**	-		
Transfer from General Fund				**6 667**	-
Refunds to donors & Transfer to/from other funds		**(5)**	-	**(1 064)**	(806)
RESERVES AND FUND BALANCES AT 31 DECEMBER		**79 513**	91 688	**47 867**	23 667
		(Statement IV)		(Schedule 6)	

The accompanying notes form an integral part of these financial statements

Statement II

Assets, liabilities and reserves and fund balances at 31 December 1997

(Thousands of United States dollars)

		UNFPA General Fund		Trust Funds	
		1997	1995	1997	1995
ASSETS					
Cash		1 175	2 049	168	3
Investments held for:					
Operational Reserve		63 000	63 000	-	-
Reserve for Field accommodation		4 000	4 000	-	-
Cost sharing		384	203	-	-
Trust Funds		39 700	42 965	-	-
General resources		29 509	69 442	14 994	7 847
	(Schedule 7)	136 593	179 610	14 994	7 847
Total cash and investments		137 768	181 659	15 162	7 850
Pledges receivable from Governments	(Note 3)	21 070	630	-	-
Accounts receivable					
Non-convertible currencies pending US dollar credit from UNDP-net of provision for write-off	(Note 7)	-	30	-	-
Due from General Fund		-	-	39 700	42 965
Accrued interest		1 725	2 702	105	79
Other accounts receivable and deferred charges	(Note 8)	733	1 083	25	78
Advances					
Operating funds provided to:					
Governments		19 725	14 605	2 886	747
UN Executing agencies		2 329	1 541	253	190
Inter-governmental institutions & NGO's		10 728	7 707	654	223
Advance to Reserve for Field Accommodation	(Note 10)	1 000	1 000	-	-
TOTAL ASSETS		195 078	210 957	58 791	52 132
LIABILITIES					
Accounts payable	(Note 8)	4 335	2 126	-	-
Operating funds payable to:					
Governments		2 834	715	188	223
UN Executing agencies		5 437	5 095	604	630
Inter-governmental institutions & NGO's		2 151	1 749	103	197
Unliquidated obligations of executing agencies		40 797	53 635	10 029	27 415
Due to UNDP		20 194	12 778		
Due to Trust Funds		39 700	42 965	-	-
Due to Junior Professional Officers Programme	(Note 12)	117	206	-	-
		115 565	119 269	10 924	28 465
RESERVES AND FUND BALANCES					
Operational reserve	(Note 11)	63 000	63 000	-	-
Reserve for Field Accommodation	(Note 10)	5 000	5 000	-	-
Unexpended Cost sharing resources		379	203	-	-
Unexpended General resources		11 134	23 485	47 867	23 667
	(Statement IV)	79 513	91 688	47 867	23 667
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		195 078	210 957	58 791	52 132

The accompanying notes form an integral part of these financial statements

Statement III

Cash flow for the biennium ended 31 December 1997

(Thousands of United States dollars)

		UNFPA General Fund	Trust Funds
		1997	1997
Cash flows from Operating Activities			
Net (shortfall) of income over expenditure	(Statement I)	(5 503)	18 597
Items not involving movement of cash		30	-
Sub total		(5 473)	18 597
Add inflows (less outflows)			
Increase in pledges receivable		(20 440)	-
Decrease in other accounts receivable		350	53
Increase in operating funds provided to Governments - net		(3 001)	(2 174)
Increase in operating funds provided to inter-governmental institutions and NGOS's - net		(2 619)	(525)
Decrease in operating funds payable to executing agencies - net		(446)	(95)
Decrease in unliquidated obligations		(12 838)	(17 386)
Increase in other liabilities		2 209	-
Less:			
Interest income		(10 418)	(4 091)
Net cash from Operating activities		(52 676)	(5 621)
Cash flows from investing and financing activities			
Increase in inter-fund balances payable		4 062	-
Decrease in inter-fund balances receivable from General Fund			3 265
(Increase)/Decrease in interest receivable		977	(26)
Interest income		10 418	4 091
Net cash from investing & financing activities		15 457	7 330
Cash flows from other sources			
Refunds to donors		(5)	(1 064)
(Transfer to Trust Funds)/Transfer from General Fund		(6 667)	6 667
Net Increase/(Decrease) in cash flows		(43 891)	7 312
Represented by:			
Increase/(Decrease) in :			
Cash		(874)	165
Investments		(43 017)	7 147
		(43 891)	7 312
Cash and investments as at 1 January 1996		181 659	7 850
Cash and investments as at 31 December 1997	(Statement II)	137 768	15 162

This statement only contains the changes in cash flows for the current biennium, due to difficulties in reconstructing prior biennium figures.

The accompanying notes form an integral part of these financial statements

Statement IV

Movement in General Fund resources balances for the biennium ended 31 December 1997

(Thousands of United States dollars)

	General Resources	Cost-sharing	Reserve for Field Accommodation	Operational Reserve	Total
Balance as at 1 January 1996	23, 485	203	5, 000	63, 000	91, 688
Income	597, 526	886	.	.	598, 412
Expenditure					
Programme	492, 120	705	.	.	492, 825
Administrative and programme support services	111, 060	.	.	.	111, 060
	603, 180	705	.	.	603, 885
Excess of income over expenditure	(5 654)	181	.	.	(5 473)
Provision for write-off of non-convertible currencies	(30)	.	.	.	(30)
Net excess (shortfall) of income over expenditure	(5 684)	181	.	.	(5 503)
Transfer to Trust Funds - Schedule 6 and Note 9	(6 667)	.	.	.	(6 667)
Refund to donors	.	(5)	.	.	(5)
Balance as at 31 December 1997 (statement II)	11, 134	379	5, 000	63, 000	79, 513

Schedule 1

Status of voluntary contributions pledged at 31 December 1997

(Thousands of United States dollars)

Donor	Balance due as at 1 January 1996 for prior bienniums	Additions and adjustments for prior bienniums	Pledges for 1996 and 1997	Pledges for future biennium		Total	Payments received a/	Unpaid pledges as at 31 December 1997	Composition of Balance Due	
				Local Currency	United States dollars				For current and prior bienniums	For future bienniums
Afghanistan	11	(11)	-	-	-	-	-	-	-	-
Albania	1	-	-	-	-	1	-	1	1	-
Algeria	12	(1)	10	300	5	26	-	26	21	5
Andorra	-	-	5	-	6	11	5	6	-	6
Antigua and Barbuda	1	-	1	-	-	2	2	-	-	-
Argentina	-	-	20	-	-	20	20	-	-	-
Australia	-	-	3 816	-	-	3 816	3 816	-	-	-
Austria	-	65	1 181	6 102	496	1 742	1 246	496	-	496
Bahamas	1	-	-	-	-	1	-	1	1	-
Bangladesh	-	-	50	-	25	75	25	50	25	25
Barbados	-	-	7	-	-	7	7	-	-	-
Belgium	-	(50)	4 239	65 000	1 785	5 974	4 189	1 785	-	1 785
Benin	7	-	5	-	1	13	12	1	-	1
Bhutan	3	-	6	-	-	9	9	-	-	-
Bolivia	4	-	-	-	-	4	-	4	4	-
Brazil	15	-	15	-	15	45	15	30	15	15
British Virgin Islands	-	1		-	-	1	1	-	-	-
Bulgaria	2	(1)	(1)	125	-	-	-	-	-	-
Burkina Faso	14	(2)	2	-	-	14	12	2	2	-
Canada	-	-	13 504	-	-	13 504	13 504	-	-	-
Central African Republic	1	-	-	-	-	1	-	1	1	-
Chile	10	-	11	-	5	26	20	6	1	5
China	-	-	800	-	-	800	800	-	-	-
Colombia	-	-	80	-	40	120	80	40	-	40
Comoros	2	-	-	-	-	2	-	2	2	-
Congo	-	-	4	-	-	4	4	-	-	-
Cook Islands	-	5	(1)	-	-	4	4	-	-	-
Costa Rica	-	-	4	-	-	4	4	-	-	-
Côte d'Ivoire	4	(1)	-	-	5	8	-	8	3	5
Cyprus	-	-	1	-	-	1	-	1	1	-
Czech Republic	-	(16)	135	2 000	60	179	59	120	60	60
Democratic People's Republic of Korea	-	-	10	-	-	10	10	-	-	-
Denmark	-	-	80 851	-	-	80 851	80 851	-	-	-
Djibouti	-	-	2	-	1	3	1	2	1	1
Dominican Republic	7	-	-	-	-	7	-	7	7	-
Egypt	165	-	193	350	104	462	89	373	269	104
Equatorial Guinea	3	(1)	-	-	-	2	-	2	2	-
Ethiopia	-	-	9	30	4	13	9	4	-	4
Federated States of Micronesia	2	-	6	-	-	8	5	3	3	-
Fiji	-	-	7	5	3	10	4	6	3	3
Finland	-	-	28 459	-	-	28 459	28 459	-	-	-
France	-	-	1 688	-	-	1 688	1 459	229	229	-
Gabon	-	-	80	-	-	80	80	-	-	-
Gambia	5	-	-	-	-	5	-	5	5	-
Germany	-	-	55 036	42 000	23 864	78 900	55 036	23 864	-	23 864
Ghana	5	-	10	-	10	25	15	10	-	10
Guatemala	2	-	-	-	-	2	-	2	2	-
Haiti	-	-	2	-	-	2	2	-	-	-

Donor	Balance due as at 1 January 1996 for prior bienniums	Additions and adjustments for prior bienniums	Pledges for 1996 and 1997	Pledges for future biennium: Local Currency	Pledges for future biennium: United States dollars	Total	Payments received a/	Unpaid pledges as at 31 December 1997	Composition of Balance Due: For current and prior bienniums	Composition of Balance Due: For future bienniums
Honduras	-	-	5	-	-	5	5	-	-	-
Iceland	3	-	7	500	7	17	10	7	-	7
India	-	-	503	9 000	249	752	503	249	-	249
Indonesia	-	-	346	-	-	346	346	-	-	-
Iran (Islamic Republic of)	50	-	-	-	-	50	-	50	50	-
Ireland	-	-	820	-	-	820	820	-	-	-
Israel	-	2	7	-	-	9	9	-	-	-
Italy	-	(5)	2 784	-	-	2 779	2 779	-	-	-
Jamaica	-	-	-	-	-	-	-	-	-	-
Japan	-	-	108 840	-	-	108 840	91 980	16 860	16 860	-
Jordan	-	-	96	-	-	96	96	-	-	-
Kenya	3	5	5	-	5	18	13	5	-	5
Kuwait	5	-	5	-	-	10	5	5	5	-
Lao People's Democratic Republic	-	-	2	-	1	3	1	2	1	1
Lebanon	-	-	14	-	-	14	8	6	6	-
Lesotho	-	-	2	5	1	3	2	1	-	1
Libyan Arab Jamahiriya	-	-	10	-	-	10	-	10	10	-
Luxembourg	-	-	534	14 000	385	919	534	385	-	385
Madagascar	15	-	-	-	-	15	14	1	1	-
Malawi	1	-	8	99	6	15	-	15	9	6
Malaysia	-	-	30	-	-	30	15	15	15	-
Maldives	-	-	4	-	2	6	4	2	-	2
Malta	-	-	2	-	-	2	2	-	-	-
Marshall Islands	-	-	1	-	-	1	1	-	-	-
Mauritania	8	-	3	500	3	14	7	7	4	3
Mauritius	-	-	11	-	-	11	11	-	-	-
Mexico	-	85	45	-	-	130	130	-	-	-
Mongolia	-	-	8	-	4	12	4	8	4	4
Morocco	-	-	14	-	8	22	12	10	2	8
Mozambique	2	-	-	-	-	2	-	2	2	-
Myanmar	-	-	15	60	-	15	11	4	4	-
Namibia	1	-	3	-	-	4	3	1	1	-
Nepal	6	-	12	-	-	18	12	6	6	-
Netherlands	-	-	89 171	78 500	39 448	128 619	89 171	39 448	-	39 448
New Zealand	-	-	1 494	-	-	1 494	1 494	-	-	-
Nigeria	3	-	-	-	-	3	-	3	3	-
Niue	-	-	1	1	1	2	1	-	-	1
Norway	-	-	56 573	-	-	56 573	56 573	-	-	-
Pakistan	-	-	1 005	-	500	1 505	957	548	48	500
Panama	-	-	20	-	3	23	23	-	-	-
Papua New Guinea	-	-	5	-	-	5	5	-	-	-
Paraguay	-	-	54	-	-	54	27	27	27	-
Peru	15	-	10	-	-	25	15	10	10	-
Philippines	57	-	135	2 000	58	250	134	116	58	58
Poland	-	-	43	-	-	43	43	-	-	-
Portugal	-	-	75	-	-	75	75	-	-	-
Republic of Korea	-	-	1 025	-	-	1 025	1 025	-	-	-
Romania	-	-	2	6 480	1	3	2	1	-	1
Russian Federation	-	-	300	-	150	450	300	150	-	150
Saint Lucia	-	-	1	-	-	1	1	-	-	-

Donor	Balance due as at 1 January 1996 for prior bienniums	Additions and adjustments for prior bienniums	Pledges for 1996 and 1997	Pledges for future biennium: Local Currency	Pledges for future biennium: United States dollars	Total	Payments received a/	Unpaid pledges as at 31 December 1997	Composition of Balance Due: For current and prior bienniums	Composition of Balance Due: For future bienniums
Samoa	5	-	10	-	8	23	18	5	-	5
Sao Tome and Principe	-	-	1	-	-	1	1	-	-	-
Saudi Arabia	-	-	60	-	30	90	30	60	30	30
Senegal	-	7	9	-	-	16	16	-	-	-
Seychelles	-	-	-	-	-	-	-	-	-	-
Sierra Leone	-	-	2	-	-	2	2	-	-	-
Slovenia	-	-	2	150	1	3	1	2	1	1
South Africa	-	-	10	50	10	20	10	10	-	10
Spain	-	-	884	-	-	884	884	-	-	-
Sri Lanka	-	-	25	-	-	25	10	15	15	-
Sudan	-	-	1	-	30	31	-	31	1	30
Swaziland	1	-	-	-	-	1	-	1	1	-
Sweden	-	-	32 634	-	-	32 634	32 634	-	-	-
Switzerland	-	-	13 872	-	-	13 872	13 872	-	-	-
Syrian Arab Republic	-	-	4	-	-	4	4	-	-	-
Thailand	-	-	180	2 468	62	242	180	62	-	62
Togo	6	(1)	-	-	-	5	-	5	5	-
Trinidad and Tobago	-	-	5	-	-	5	5	-	-	-
Trust Territory of the Pacific Islands	-	-	2	-	1	3	2	1	-	1
Tunisia	-	29	52	25	23	104	58	46	23	23
Turkey	120	-	180	-	108	408	170	238	130	108
Tuvalu	3	2	-	-	-	5	5	-	-	-
Uganda	4	-	1	-	-	5	-	5	5	-
United Kingdom	-	-	39 650	-	-	39 650	39 650	-	-	-
United Republic of Tanzania	10	(1)	1	600	1	11	-	11	10	1
United States of America	-	-	47 750	-	-	47 750	44 721	3 029	3 029	-
Uruguay	26	8	26	-	-	60	35	25	25	-
Vanuatu	-	10	5	-	-	15	10	5	5	-
Venezuela	6	-	-	-	-	6	6	-	-	-
Viet Nam	-	-	7	-	4	11	4	7	3	4
Yemen	2	5	3	-	-	10	10	-	-	-
Zambia	-	-	2	-	-	2	-	2	2	-
Zimbabwe	-	-	1	-	-	1	-	1	1	-
TOTAL	629	134	589 676		67 539	657 978	569 375	88 603	21 070	67 533
		(Statement I)	(Statement I)						(Statement III)	

a/ includes the following amounts paid in 1997 for future years' pledges

Donor	United States dollar equivalent
Panama	2,500
Samoa	2,500
Total	5,000

Schedule 2

General Fund: miscellaneous income and expenditure for the biennium ended 31 December 1997

(Thousands of United States dollars)

		1996-1997	1994-1995
Net miscellaneous income from accounts of executing agencies		**1, 414**	486
Net adjustments on revaluation of currencies and gain/(loss) on exchange other than contributions		**(4 520)**	1, 132
Net miscellaneous income from procurement services	(Note 4)	**581**	2, 654
Donations		**4**	7
Savings on liquidating obligations of prior biennium		**611**	461
Other		**(66)**	457
Total		**(1 976)**	5, 197

(Statement I)

Schedule 3

General Fund: programme expenditure by executing agencies for the biennium ended 31 December 1997

(Thousands of United States dollars)

	Personnel services	Sub-contracts	Training (fellowships)	Equipment and supplies	Miscellaneous	Total Project costs	Technical support costs	Administrative and operational services	UNFPA support costs	Total
United Nations	7 675	292	1 310	489	681	10 447	3 816	685	-	14 948
ECA	101	-	14	-	2	117	3 395	-	-	3 512
ECE	908	53	131	29	3	1 124	-	74	-	1 198
ECLAC	1 184	24	123	2	36	1 369	210	103	-	1 682
ESCAP	1 262	247	278	25	112	1 924	1 447	98	-	3 469
ESCWA	134	53	124	3	7	321	868	-	-	1 189
FAO	780	363	539	53	190	1 925	3 235	101	-	5 261
ILO	3 321	118	968	427	495	5 329	6 444	382	-	12 155
UNESCO	3 335	809	1 885	597	629	7 255	5 017	498	-	12 770
UNICEF	84	-	-	212	(4)	292	-	17	-	309
UNIDO	78	-	21	1	-	100	-	7	-	107
UNIFEM	6	-	-	-	-	6	29	-	-	35
UNRWA	-	-	-	83	-	83	-	-	-	83
UNOPS	(7)	57	6	52	6	114	-	8	-	122
WHO	5 408	8 286	3 493	1 576	569	19 332	6 347	922	-	26 601
United Nations executing agencies total	24 269	10 302	8 892	3 549	2 726	49 738	30 808	2 895	-	83 441
Governments	20 604	24 259	39 171	22 079	14 756	120 869	-	-	6 043	126 912
UNFPA[a]	41 505	29 528	26 345	91 532	6 466	195 376	15 968	-	3 631	214 975
Intergovernmental institutions and other agencies, including non-governmental organizations	21 339	17 515	15 234	5 094	5 689	64 871	272	2 354	-	67 497
Current biennium expenditure (inclusive of cost-sharing)	107 717	81 604	89 642	122 254	29 637	430 854	47 048	5 249	9 674	492 825

	Personnel services	Sub-contracts	Training (fellowships)	Equipment and supplies	Miscellaneous	Total Project costs	Technical support costs	Administrative and operational services	UNFPA support costs	Total
Charged to										
General Resources						430 149	47 048	5 249	9 674	492 120
Cost sharing Resources						705	-	-	-	705
	107 717	81 604	89 642	122 254	29 637	430 854	47 048	5 249	9 674	492 825
						(Schedule 4)	(Schedule 4.1)		(Note 6)	(Statement I)

a/ Project costs includes UNFPA procurement assistance in respect of Government projects amounting to $72 6 million

Support costs on these expenditures are shown in note 6 and schedule 6

Schedule 4

General Fund: unspent allocations of project costs at 31 December 1997

(Thousands of United States dollars)

	1996-1997 Biennium			Future years' allocations	Total unspent allocations
	Allocations	Expenditure	Unspent allocations		
United Nations	13 507	10 447	3 060	3 851	6 911
ECA	117	117	-	7	7
ECE	1 347	1 124	223	1 149	1 372
ECLAC	1 496	1 369	127	511	638
ESCAP	2 273	1 924	349	1 771	2 120
ESCWA	345	321	24	234	258
FAO	2 564	1 925	639	592	1 231
ILO	6 782	5 329	1 453	1 841	3 294
UNESCO	9 471	7 255	2 216	4 999	7 215
UNICEF	292	292	-	-	-
UNIDO	192	100	92	-	92
UNIFEM	160	6	154	325	479
UNOPS	294	114	180	118	298
UNRWA	133	83	50	-	50
WHO	22 440	19 332	3 108	7 327	10 435
United Nations executing agencies total	61 413	49 738	11 675	22 725	34 400
Governments	152 488	120 869	31 619	76 695	108 314
UNFPA	242 783	195 376 a/	47 407	71 118	118 525
Intergovernmental institutions and other agencies, including non-governmental organizations	81 735	64 871	16 864	28 155	45 019
Total	538 419	430 854	107 565	198 693	306 258
		(schedule 3)	(note 5)	(note 5)	

a/ Includes UNFPA procurement assistance in respect of Government projects amounting to $72.6 million.

Schedule 4.1

General Fund: unspent allocations for technical support services

(Thousands of United States dollars)

	1996-1997 Biennium				
	allocations	expenditure	Unspent allocations	Future years' allocations	Total unspent allocations
United Nations	3 412	3 816	(404)	1 362	958
ECA	3 768	3 395	373	3 943	4 316
ECLAC	236	210	26	268	294
ESCAP	1 770	1 447	323	1 117	1 440
ESCWA	968	868	100	885	985
FAO	3 521	3 235	286	2 772	3 058
ILO	6 572	6 444	128	4 551	4 679
UNESCO	5 300	5 017	283	4 069	4 352
UNIFEM	85	29	56	1 143	1 199
WHO	6 955	6 347	608	5 280	5 888
United Nations executing agencies total	32 587	30 808	1 779	25 390	27 169
UNFPA	18 240	15 968	2 272	15 901	18 173
Intergovernmental institutions and other agencies, including non-governmental organizations	315	272	43	-	43
Total	51 142	47 048	4 094	41 291	45 385
		(schedule 3)	(note 5)	(note 5)	

Schedule 5

General Fund: administrative and programme support services budget appropriations and expenditure for the biennium ended 31 December 1997

(Thousands of United States dollars)

PROGRAMME	Appropriations for 1996-1997 (Note a/)	1996-1997 Expenditure: Disbursements	1996-1997 Expenditure: Unliquidated obligations	1996-1997 Expenditure: Total	Expenditure 1994-1995	Unencumbered balance 31 Dec 1997
I. Executive direction and management	4 233	3 929	188	**4 117**	3 738	**116**
II. Administrative and information and external relations services	36 055	32 866	2 490	**35 356**	30 669	**699**
III. Programme planning, appraisal and monitoring	29 143	24 457	647	**25 104**	24 617	**4 039**
IV. Field programme support	67 415	56 459	860	**57 319**	47 156	10 096
Gross appropriations and expenditure	136 846	117 711	4 185	**121 896**	106 180	**14 950**
Less: Credits and income	(10 000)			b/ **(10 836)**	(10 797)	836
Net appropriations and expenditure	126 846			**111 060**	95 383	**15 786**

(statement I)

a/ Appropriations approved by the Executive Board at the third regular session in 1995 (decision 95/35).

b/ See note 6

Schedule 6

Trust Funds: statement of accounts for the biennium ended 31 December 1997

(Thousands of United States dollars)

Trust funds	Unexpended balance as at 1 January 1996	Contributions received	Transfers and refunds	Interest, misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1997
Multi-bilateral										
Arab Gulf Fund	(4)	284	(104)	5	181	74	3	2	79	102
Australia	2 735	2 818	-	436	5 989	2 366	41	91	2 498	3 491
Austria	31	-	(33)	2	-	-	-	-	-	-
Belgium	1 569	1 365	(200)	196	2 930	543	3	24	570	2 360
Canada	115	1 107	(11)	48	1 259	608	18	17	643	616
Canadian Public Health Assoc	-	903	-	23	926	291	-	15	306	620
Contraceptive Needs in Selected developing Countries	40	-	-	4	44	3	-	-	3	41
Denmark	115	459	(117)	18	475	322	-	16	338	137
European Economic Community	49	5 556	-	175	5 780	1 973	-	68	2 041	3 739
Finland	1 296	-	-	192	1 488	575	2	27	604	884
France	10	-	-	-	10	12	-	-	12	(2)
Germany	94	507	(95)	16	522	643	-	32	675	(153)
Hewlett Foundation	-	375	(375)	3	3	-	-	-	-	3
Honduras	-	9	-	-	9	-	-	-	-	9
IBRD - Angola	129	182	-	16	327	200	-	10	210	117
India	9	-	-	1	10	-	-	-	-	10
IPPF/AGFUND	105	463	103	23	694	419	-	21	440	254
Italy	-	1 771	-	-	1 771	282	12	2	296	1 475
Japan	342	-	-	33	375	86	-	5	91	284
Lebanon	-	162	-	7	169	-	-	-	-	169
Luxembourg	1 053	255	-	85	1 393	706	13	28	747	646

Trust funds	Unexpended balance as at 1 January 1996	Contributions received	Transfers and refunds	Interest, misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1997
Management Development Unit	161	-	-	14	175	38	-	4	42	133
Netherlands	1 358	9 277	-	229	10 864	5 088	59	227	5 374	5 490
NGO(Indo-Hilfe-Peru)	38	6	-	2	46	26	-	-	26	20
Norad	539	13 052	275	227	14 093	7 058	28	338	7 424	6 669
Norway	463	-	(297)	2	168	72	-	3	75	93
Oman	90	95	-	21	206	6	-	-	6	200
Organization of Petroleum Exporting Countries	269	-	-	31	300	-	-	-	-	300
Rockfeller Foundation	207	129	(24)	10	322	209	-	-	209	113
Spain	434	1 188	-	115	1 737	619	-	31	650	1 087
Sweden	597	1 153	-	91	1 841	1 067	(3)	56	1 120	721
Switzerland	116	49	-	6	171	123	-	6	129	42
Syrian Arab Republic	111	520	-	39	670	203	-	10	213	457
United Kingdom	918	4 269	(142)	197	5 242	2 718	4	129	2 851	2 391
Wallace Global Fund	-	100	(100)	-	-	-	-	-	-	-
	12 989	46 054	(1 120)	2 267	60 190	26 330	180	1 162 (Note 6)	27 672	32 518
Other Trust Funds										
Global Contraceptive Commodity Programme - Note 9	-	-	6 667	301	6 968	1 077	-	54	1 131	5 837
International Conference on Population and Development	407	-	303	34	744	468	-	-	468	276
Partners in Population	-	2 403	23	115	2 541	1 471	-	-	1 471	1 070
Rafael M. Salas Endowment Fund	446	191	-	45	682	21	-	-	21	661
UNICEF	31	-	(32)	1	-	-	-	-	-	-
UN Population Award	738	-	-	94	832	95	-	-	95	737
	1 622	2 594	6 961	590	11 767	3 132	-	54	3 186	8 581

Trust funds	Unexpended balance as at 1 January 1996	Contributions received	Transfers and refunds	Interest, misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1997
Procurement services										
Algeria	430	-	-	45	475	182	-	10	192	**283**
Asian Development Bank	88	-	-	10	98	-	-	-	-	**98**
Brazil	17	-	-	7	24	(52)	-	(2)	(54)	**78**
Canada	(659)	8 922	-	115	8 378	7 627	-	381	8 008	**370**
Canadian Public Health Assoc.	-	199	-	-	199	162	-	8	170	**29**
Denmark	-	461	-	2	463	-	-	-	-	**463**
European Economic Community	-	208	-	27	235	155	-	8	163	**72**
Finland	925	-	-	43	968	674	-	34	708	**260**
Germany										
Phase 1	2 654	-	(2 798)	144	-	-	-	-	-	-
Phase 2	803	-	2 495	208	3 506	3 007	-	152	3 159	**347**
Maternal Child Health Family Planning Programme in Burundi	120	-	54	4	178	133	-	6	139	**39**
Guinea	-	610	-	17	627	496	-	25	521	**106**
Ghana	62	-	(69)	1	(6)	(7)	-	-	(7)	**1**
IBRD										
Bangladesh Fourth Population and Health Project	2 458	5 329	-	141	7 928	6 056	-	302	6 358	**1 570**
Burkina Faso	-	1 290	-	32	1 322	1 076	-	53	1 129	**193**
Chad	-	380	-	1	381	337	-	17	354	**27**
Ghana	231	100	69	33	433	57	-	3	60	**373**
Haiti	-	270	-	6	276	246	-	12	258	**18**
Niger	9	332	1	4	346	296	-	15	311	**35**
Romania	519	385	10	45	959	745	-	37	782	**177**
Jamaica	-	90	-	1	91	85	-	4	89	**2**
Lao People's Democratic Republic	-	8	-	-	8	8	-	-	8	-

Trust funds	Unexpended balance as at 1 January 1996	Contributions received	Transfers and refunds	Interest, misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA support costs	Total expenditure	Unexpended balance as at 31 December 1997
Netherlands	6	-	-	-	6	6	-	-	6	-
Sri Lanka	22	1 998	-	20	2 040	1 688	-	84	1 772	**268**
Turks & Caicos Islands	-	4	-	-	4	3	-	-	3	**1**
United Kingdom										
Bolivia	-	609	-	23	632	241	-	12	253	**379**
Pakistan	1 371	5 846	-	305	7 522	5 659	-	284	5 943	**1 579**
	9 056	27 041	(238)	1 234	37 093	28 880	-	1 445	30 325	**6 768**
TOTAL	23 667	75 689	5 603	4 091	109 050	58 342	180	2 661	61 183	**47 867**
		(Statement 1)				(Statement 1 and note 4)				**(Statement II and note 5)**

Schedule 7

Investments at 31 December 1997

(Thousands of United States dollars)

	General Fund		Trust Funds	
	1997	1995	**1997**	1995
Interest bearing current accounts	**16**	5	-	-
Call accounts	**356**	246	-	2
Time deposits	**84 050**	138 200	**13 496**	7 215
Bonds and notes	**52 171**	41 159	**1 498**	630
Total (Note a/ below)	**136 593**	179 610	**14 994**	7 847

a/ The total investments figure under General Fund of $136.6 million (1995:$179.6 million) includes $39.5 million (1995:$43 million) held for Trust Funds. (see Statement II)

Notes to the financial statements

Note 1. Mission statement

UNFPA extends assistance to developing countries, countries with economies in transition and other countries at their request to help them address reproductive health and population issues, and raises awareness of these issues in all countries, as it has since its inception.

UNFPA's three main areas of work are: to help ensure universal access to reproductive health, including family planning and sexual health, to all couples and individuals on or before the year 2015; to support population and development strategies that enable capacity-building in population programming; to promote awareness of population and development issues and to advocate for the mobilization of the resources and political will necessary to accomplish its areas of work.

UNFPA is guided by, and promotes, the principles of the Programme of Action of the International Conference on Population and Development (1994). In particular, UNFPA affirms its commitment to reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women everywhere. UNFPA believes that safeguarding and promoting these rights, and promoting the well-being of children, especially girl children, are development goals in themselves. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children as well as the right to the information and means to do so.

UNFPA is convinced that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of stabilizing world population. UNFPA believes that these goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends.

UNFPA recognizes that all human rights, including the right to development, are universal, indivisible, interdependent and interrelated, as expressed in the Programme of Action of the International Conference on Population and Development, the Vienna Declaration and the Programme of Action adopted by the World Conference of Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Programme of Action of the World Summit for Social Development, the Platform for Action of the Fourth World Conference on Women and in other internationally agreed instruments.

UNFPA, as the lead United Nations organization for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development, is fully committed to working in partnership with Governments, all parts of the United Nations system, development banks, bilateral aid agencies, non-governmental organizations and civil society. UNFPA strongly supports the United Nations resident coordinator system and the implementation of all relevant United Nations decisions.

UNFPA will assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Note 2. Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Income

All income of UNFPA (including pledges from Governments, investment income and miscellaneous income, but excluding contributions to cost-sharing and trust funds and interest on interfund balance) is recorded on an accrual basis.

(b) Expenditure

All expenditure is accounted for on an accrual basis, except for that relating to staff entitlement and projects executed by Governments and by non-governmental organizations, which is accounted for on the basis of disbursements. Project expenditure includes unliquidated obligations raised by the executing agencies in respect of goods and services provided for in the project budgets for 1997 and contracted for by 31 December 1997.

(c) Exchange rates

Pledges made in currencies other than United States dollars are reported in the equivalent of United States dollars converted at the United Nations operational rate of exchange in effect on the date of the financial statements or, if paid, on the date of the payment.

Gains and losses resulting from exchange adjustments arising from payments of voluntary contributions are recorded as an offset to these contributions. Exchange gains and losses arising from collection of contributions pledged in a particular currency but paid in different currency are recorded as exchange adjustments on collection of contributions. All other exchange adjustments have been recorded as miscellaneous income.

For the purposes of accounting for assets, liabilities and transactions and the maintenance of other financial records, other currencies are translated into United States dollars at the United Nations operational rate of exchange in effect on the data of the report or transaction.

(d) Capital expenditure

The full cost of non-expendable equipment used for administrative purposes is charged to the UNFPA biennial budget in the year in which it is purchased. An inventory is maintained of all non-expendable equipment (defined as items of equipment valued at $1,500 or more a unit, and with a serviceable life of at least five years, and items of equipment included in any special lists, for which formal inventory records are maintained).

(e) Agency support costs and technical support services

Agency support costs represents the administrative support costs accruing to executing agencies incurred in the administration (technical and otherwise) of UNFPA funded programmes and projects.

These amounts are shown in statement I and schedule 3. The amounts shown as technical services, includes the costs of technical support professionals, administrative support personnel and other related administrative costs. The administrative and operational services costs of country projects are the percentage of annual project expenditures authorized by the Governing Council for the reimbursement of the administrative and operational services. The administrative and operational services of intercountry projects are the real costs accruing to the executing agencies and are not a percentage of annual project expenditure.

(f) Reimbursable procurement

At its fortieth session in 1993, the Governing Council approved that funds received by UNFPA for procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations are accounted for as trust funds. These activities are shown as procurement services in schedule 6.

In line with this decision, UNFPA is fully paid in advance of the procurement activities for all costs connected with such procurement, including a procurement service fee at the rate established by the Executive Director. This procurement service fee is accounted for as miscellaneous income.

(g) Presentation of financial statements

Following the recommendation of the Administrative Committee on Coordination on the common interorganization accounting standards and harmonized presentation of financial statements, UNFPA has adopted the recommended format for the current biennium. The presentation distinguishes the different types of funds which are managed by UNFPA.

Certain comparative balances and/or certain types of operations have been reclassified in order better to conform to the new financial statements format or to reflect the nature of the operations.

Note 3. Pledges receivable from Governments

Contributions to general resources pledged by Governments for current and prior years that had not been paid by 31 December 1997 were as follows (in thousands of United States dollars):

1993 and prior years	200
1994	11
1995	22
1996	3 335
1997	17 502
Total (statement II)	**21 070**

At 31 March 1998, $17,392,702 of the above pledges receivable had been paid.

Note 4. Miscellaneous income from procurement services

For the biennium ended 31 December 1997, procurement service fees of $1.5 million (1995: $3 million) were earned and shown as project support costs in schedule 6. Expenditure of $0.9 million ($0.4 million in 1995) was incurred, leaving a net income of $0.6 million ($2.6 million in 1995), as shown in schedule 2.

Note 5. Unspent Allocations

General Fund

Unspent allocations at 31 December 1997 issued against the General Fund of UNFPA for projects and for technical support services amount to $352 million, as follows (in thousands of United States dollars):

	1997	*Future years*	*Total*
Projects (schedule 4)	107 565	198 693	306 258
Technical support services (schedule 4.1)	4 094	41 291	45 385
Total	**111 659**	**239 984**	**351 643**

Total unspent allocations of $352 million exceed available General Fund resources of $74 million (general resources, $11 million and operational reserve, $63 million) by $278 million. Of the allocations for future years, $156 million relate to 1998.

However, as per the financial regulations and rules, allocations shall always be subject to the availability of resources.

Trust funds

The total balance of unspent allocations and available trust fund resources at 31 December 1997 were as follows (in thousands of United States dollars):

	Available resources	*Unspent allocations*
Trust funds - General	42 030	25 653
Global contraceptive commodity programme	5 837	1 918
Total	**47 867**	**27 571**

Note 6. Administrative and programme support services

Credits to administrative and programme support services expenditure in schedule 6 consist of the following (in thousands of United States dollars):

	1996-1997	*1994-1995*
Support cost for government executed projects (schedule 3)	6 043	5 091
Support cost reimbursed from procurement assistance in respect of government projects (schedule 3)	3 631	4 504
Subtotal	**9 674**	**9 595**
Support cost for projects under trust fund arrangements (schedule 6)	1 162	1 202
Total	**10 836**	**10 797**

Note 7. Non-convertible currencies pending United States dollar credit from UNDP

The provision for asset write-off of non-convertible currencies of $30,000 has been made to reflect the overvaluation of the former Czechoslovakian currency korunas against the United Nations rate of exchange.

Note 8. Accounts receivable and payable

(a) Accounts receivable and deferred charges

For the General Fund, the other accounts receivable and deferred charges as shown in statement II consist of the following (in thousands of United States dollars):

	1997	*1995*
Advances to staff and consultants	484	209
Deferred charges	249	874
Total	**733**	**1 083**

For trust funds, balances shown in statement II represents deferred charges.

(b) Accounts payable, General Fund

Accounts payable shown in statement II consists of the following in thousands of United States dollars):

	1997	*1995*
Unliquidated obligations of the biennial budget	4 185	2 049
Cash received, awaiting clarification[a]	37	2
Miscellaneous accounts payable	113	75
Total	**4 335**	**2 126**

[a] Amounts received, but not identified as to purpose, are held as accounts payable until identified, at which time they are recorded appropriately.

Note 9. Global Contraceptive Commodity Programme

At its first regular session of 1996, the Executive Board approved the establishment of a Global Contraceptive Commodity Programme to be managed as a trust fund. In accordance with this decision, $5 million was transferred from unexpended general resources to the Global Contraceptive Commodity Programme in 1996. In 1997, UNFPA received additional contributions of $1,667,000 towards the Programme. The movements in this trust fund are included in other trust funds in schedule 6.

Note 10. Reserve for field accommodation

At its thirty-eighth session in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992–1993 as shown in statement II and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs of common premises under the auspices of the Joint Consultative Group on Policy.

During 1994, $1 million was advanced to UNDP towards the cost of construction of common premises.

Note 11. Operational reserve

At the thirty-sixth session of the Governing Council in 1989, the level of the operational reserve was set at $45 million. At the thirty-eighth session of the Council in 1991, the reserve level was revised and set at 20 per cent of the general resources income for each year of the UNFPA work plan. In line with this decision, the operational reserve was increased to $63 million in 1995.

Note 12. Junior Professional Officers programme

The balance of funds from the Government of Canada for the Junior Professional Officers programme was $206,000 at the beginning of the biennium. During the biennium, additional funds of $222,000 ($218,000 in 1995) were received and $311,000 ($356,000 in 1995) were disbursed leaving a balance of $117,000 ($206,000 in 1995), as shown in statement II.

Note 13. Special population programmes

At its seventeenth session in 1974, the Governing Council authorized UNFPA to receive cash remittances from Governments and transfer these to designated special population programmes. During the biennium ended 31 December 1997, UNFPA received and transferred cash remittances of $34.3 million, as follows (in thousands of United States dollars):

	Donors					
Recipient	*Netherlands*	*Norway*	*Japan*	*Canada*	*Belgium*	*Total*
International Planned Parenthood Federation	8 490	—	20 700	2 757	163	32 110
Population Council	1 001	498	—	—	—	1 499
International Union for Scientific study of population	288	244	—	—	—	532
International Council on the Management of Population Programmes	—	184	—	—	—	184
Total	**9 779**	**926**	**20 700**	**2 757**	**163**	**34 325**

These amounts are not reflected in the financial statements.

Note 14. Non-expendable property

At 31 December 1997, the estimated historic cost of non-expendable property at headquarters was $2.8 million ($3.5 million in 1995) and at country offices was $6.2 million ($2.5 million in 1995). This does not include assets purchased for project activities.

Note 15. Stocks

At 31 December 1997, UNFPA owned stocks of contraceptives valued at $432,000, which are held at the manufacturer's premises as part of the Global Contraceptive Commodity Programme.

Note 16. Future commitments

The contingent liability resulting from the termination benefits that UNFPA may be required to pay to its staff members in future years was estimated at 31 December 1997 to be $4 million ($3.2 million in 1995) with respect to repatriation grants and $1 million ($0.5 million in 1995) with respect to termination indemnity.

Costs relating to annual leave due at 31 December 1997 are estimated at $3.8 million.

Note 17. Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date.

98-22117 (E) 011098